

**Access to Microfinance & Improved Implementation of Policy Reform
(AMIR Program)**

Funded by U.S. Agency for International Development

**PREPARATION OF A BUSINESS PLAN AND
FEASIBILITY STUDY FOR THE
ESTABLISHMENT OF A CREDIT BUREAU IN JORDAN**

Final Report

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Table of Contents

	Page
Executive Summary	1
1 - Background and Introductions	3
2 - Purpose of Report.....	7
3 - Ownership and Management of Credit Bureau.....	7
4 - Marketing Plan.....	16
Part 1 – Marketing Strategy.....	20
Part 2 – Product Offerings.....	31
Part 3 – Product Potential and Proposed Pricing.....	40
5 - Financials.....	50
6 – Sales and Marketing Remuneration.....	58
7 - Legal.....	60
8 - Training/Consulting.....	61
9 - Technical Summary.....	64
10 - Infrastructure.....	66
11 - System Development.....	69
12- Accounting.....	73
13- Customer and Consumer Relations.....	74
14 - Development Plan.....	75
15 - Financial Spreadsheet Program.....	79

Exhibits:

	Page
A – Jerusalem Insurance Company Meeting	81
B – Middle East Insurance Company Meeting.....	84
C – Arab Bank Meeting.....	86
D – Jordan National Bank Meeting.....	87
E – Samir Jaradit Meeting.....	89
F – Data Providers.....	90
G – Accounts Receivable Data Transmission Agreement.....	91
H – Staffing and Product Introduction Schedule.....	92
I – LAN, Computer Systems and Communications Structure.....	93
J – Membership Agreement.....	94
K – Balance Sheet.....	96

Executive Summary

1-In Jordan, surveys indicate the need for a Credit Bureau. A Credit Bureau is defined as a repository or data bank that keeps records of consumer demographics and payment patterns of various types of credit obligations of these consumers. Credit Bureau Members provide information voluntarily. Members use the services and products of the Credit Bureau.

2-The elements exist for a successful Credit Bureau in Jordan. Businesses want and need a Credit Bureau and have indicated their intention to provide the Credit Bureau with their proprietary information and to use Credit Bureau products and services. The name 'Credit Bureau' has wide recognition amongst the potential user group.

3-The financials presented in this report are based on a successful sales and marketing campaign that will procure the information required to populate the Credit Bureau Database in order to make the Database and its products marketable to Credit Bureau Members, and convince Members of the Credit Bureau to use its products and services.

4-Based on a scenario that reflects a reasonable approach to revenues and expenses, the Credit Bureau would be profitable in Year 2 with total investment noted in point #5 below, recovered early in Year 3 of the Credit Bureau operation. This approach is reflected in Financial Scenario #2 that is noted in the Financial Section of this report.

5-The investment needed to commence a Credit Bureau and reach a point of revenue generation is 572,322 JD (JD = Jordanian Dinar). This is comprised of a capital investment of 388,415 JD and one year's operating costs of 183,907 JD that includes training/consultant costs of 75,925 JD. This is Financial Scenario #2. A 'worst case' scenario is Financial Scenario #5 that estimates the Credit Bureau would become profitable in Year 5 with prices 33% lower than market indications. The investment would have risen to 676,899 JD. This is not realistic based on marketplace findings. If there is a one year delay to the point of revenue generation, an additional 313,907 JD investment, which represents Year 2 expenses, would be needed.

6-Five Credit Bureau products could be available to the marketplace in the time span of 11 to 16 months after the commencement of the Credit Bureau.

7-Local expertise, with the assistance of foreign partners or consultants, is sufficient to develop a Credit Bureau system.

8-A single entity Credit Bureau should be formed with majority ownership vested locally. Demand for shares by potential system users and information providers would create an option of subsidiary companies with majority ownership of the parent company and minority ownership distributed amongst potential users and information providers.

9-Value of shares should be enough to finance the start up costs and one year's operation. The majority owner and any foreign or local minority partner should together contribute the total cost noted. They would own 87 % of the Credit Bureau with the balance set aside for key employee stock options based on performance.

1-Background and Introduction

The Access to Microfinance and Improved Implementation of Policy Reform (AMIR) activity was designed to assist the private sector and the Government of Jordan to respond to current economic challenges and to respond to USAID/Jordan's strategic objective of "increasing economic opportunity for all Jordanians" through private sector growth.

One of the responses identified, to meet this objective, was to determine the need for a Credit Bureau. The most mature Credit Bureaus in the world reside in the United States and Canada. These United States and Canadian Credit Bureaus, which saw their beginnings in the early 1900s, have been the single most important component in the success of the availability of Consumer Credit, to individuals, in both these countries. The availability of Consumer Credit is the engine that drives an economy. In the United States, in 1997, there was over 6.5 trillion (USD)(4.65 trillion JD) in consumer installment and mortgage debt as well as 1.4 billion credit cards; in the hands of American consumers used to make instant purchases of goods and services. The availability of Consumer Credit allows them the ability to purchase goods and services on a huge scale and with relative ease. The success of the US economy is easily traceable to the demand for goods and services generated by the use of consumer credit in the volumes noted above. This large volume of Consumer Credit is defined as 'mass credit' and relies heavily on the demographics of, and experience of consumers in handling their personal credit. Credit Grantors use this information to decide whether or not to extend credit to consumers. This information is contained in Credit Bureau database files with easy access for users. The view is that Jordan, which currently has no Credit Bureau, would receive significant economic benefit from a Credit Bureau in a manner similar to United States but on a smaller scale.

After the Credit Bureau was identified as a possible response to the objectives, preliminary effort and development was commenced with the following results:

- September 1999 - Consensus of Banks and informal creditors that a private Credit Bureau should be established to convey credit and check payment histories. Offerings of the Bureau would be consumer and commercial files and related ancillary services. A collection agency component was also to be a consideration.
- October 1999 – Round table presentation to Bankers and informal creditors gained 'philosophical' support for furnishing the critical information necessary for the success of a Credit Bureau and the need for a review of any legal impediments of the commencement of a Credit Bureau was noted.
- December 1999 – A review of Jordanian law, by Jordanian attorneys, concluded that new and enabling legislation was necessary to allow for the creation of a Credit Bureau and the sharing of consumer credit information between companies that currently store this information, and a Credit Bureau.

- January 2000 – Request for expressions of interest (EOI) placed in local press requesting responses from individuals and companies interested in participating in the potential establishment of a Credit Bureau. Twenty-eight responses received.
- May 2000 – An in-depth market survey was completed with personal interviews of 60 companies who were potential suppliers of or users of a Credit Bureau. The interviews covered a cross-section of Jordan's business community. They included Banks, Microfinance Institutions, Insurance Companies, Retailers, Wholesalers and Manufacturers. Potential product offerings were identified and prioritized based on promptness of bringing the products to market and the acceptance of those products by potential users. Available information, to be used in building a Credit Bureau database, was identified and a 'high level' determination was made as to the quality and historical content of the information. Minimum information needed, to provide products to potential users, was identified. Determination was made as to the willingness, of those interviewed, to sharing their consumer credit and consumer demographic information with a Credit Bureau.

The twenty-eight responses to the EOI were reviewed and the respondents with the most potential were personally interviewed.

Additionally a draft proposal of legislation, to enable the formation of a Credit Bureau and the sharing of consumer credit and demographic information with a Credit Bureau, was reviewed and appropriate suggestions made. The draft legislation is loosely patterned on the United States Fair Credit Reporting Act that was originally passed by the U.S. legislatures in 1973 and updated/amended in 1997.

As a result of the May 2000 market survey, the following conclusions were reached based on an analysis of the answers to questions posed to the companies interviewed that were designed to determine how the Credit Bureau should be built and which products would be of interest to these companies:

- The priority would be to build a Credit Information Bureau database that will contain a minimum of 400,000 individual consumer files each of which will contain information on consumers to include, but not be limited to, demographic information, information that will relate to their individual paying habits on any credit they have been extended, past and present. Also included will be public record information, the National ID# of each consumer, driver's license information, driving record information, insurance information as to accident claims and the types of insurance each consumer currently holds and information on any 'bad checks' the individual consumer have written, past and present.

- Initially building a database of consumer files, as the first step, is a result of findings in two areas.

Firstly the Banking community, who could potentially be the largest user of the Credit Bureau services and provider of information for the Credit Bureau, has indicated they are in the process of moving away from a priority on Commercial Lending to a new priority of Retail Lending. This is a result of losses incurred in the Commercial Lending area and a recognition of the fact Retail Lending is quite profitable and the area where they have the best growth potential. That growth potential would include Consumer Loans and the newest product, Credit Cards. In order for the Banks to move to their new priority of Retail Lending (mass credit), the availability of a Credit Bureau of Consumer Credit Files is a necessity for success. Currently the Banks do not share information with any other business relative to their experience with individual consumers to whom they have extended credit. They also have no sources to use to determine the paying habits of consumers with other credit granters, and other relevant information that would assist them in this move to 'mass credit'. This lack of sharing of information results from competitive concerns that if Bank 'B' knew a consumer was dealing with Bank 'A', Bank 'B' would attempt to take the business away from the Bank 'A'. Credit Bureaus can be structured in a way to prevent disclosure of the specific Bank name with which a consumer had dealings.

Secondly, the initial demand, from the sampling taken, was estimated at a minimum of 175,000 requests for Consumer Credit Files per year while the minimum annual requests for Commercial Credit Files totaled only 2,000. Based on these numbers, the greater revenue potential is with Consumer Credit Files.

- The information available regarding the paying habits of individual consumers was found to be fragmented and lacking in historical content. A successful Credit Bureau needs this information in order to sell what is called a 'full or mature file'. This is simply a Consumer Credit File that contains a consumer's demographic information as well as their paying habits past and present. It is the need for this information and the subsequent supplying of the information that allows users of the Consumer Credit Files to make informed decisions on consumer credit requests. An informed decision potentially means lower loan losses for the credit grantor and the ability to extend specific limits on the amount an individual is allowed to borrow, based on criteria as established by that credit grantor. The credit limit could be a higher amount than the consumer requested and means the credit grantor could attempt to 'upsell' the consumer to borrow more money. As a result it is estimated it will take

at least three (3) years to build up the historical information that will allow a 'full' or 'mature' file to be available for users of Consumer Credit Files. Part of the three-year process is also to have as much consistent information placed in each Consumer Credit File that would allow for accurate retrieval when a user of the Credit Bureau's Consumer Credit File service provides demographic information on the consumer for whom they wish Credit information.

- The interview findings established the need for five products that could be easily made available in a time frame that would allow for some revenue generation during the three year period required to build a 'full' or 'mature' file Credit Bureau. The five products include an 'Insurance' database, a 'Bad Check' database, a 'Microfinance' database, a 'Negative Information' database and a 'Bulletin' service. In calls made to Jerusalem Insurance (see Exhibit 'A') and Middle East Insurance (see Exhibit 'B') the Insurance database product was reconfirmed and specific product demand established. A meeting with Arab Bank (see Exhibit 'C') and Jordan National Bank (see Exhibit 'D') provided more detail for the 'Bad Check' database. Details of these five products are contained in the 'Marketing Plan' component of this report.
- The National ID#, which is assigned to each native Jordanian and the Passport # assigned to Jordanians not born in Jordan were determined to be two key components needed in the building of Consumer Credit Files. The availability of this information, and its format, was confirmed in a meeting with the Securities Depository Center (see Exhibit 'E').

2 – Purpose of this Report

As a result of the conclusions reached above, a more comprehensive report was requested in the form of the Preparation of a Business Plan and Feasibility Study. The Business Plan and Feasibility Study, relative to the establishment of a Credit Bureau in Jordan, are contained in the pages that follow.

3-Ownership and Management Recommendation for Credit Bureau

The Credit Bureau should be a single entity, privately held business owned by an individual or company, in the majority. There should be minority partners both internally and externally, who would bring value and expertise to the Credit Bureau.

Shareholding structure:

1-Shares should be issued with the majority owned by an individual or company. The objective is to have an ultimate ‘driver’ and ‘decision maker’ for the Credit Bureau in order for the Credit Bureau to succeed. His or her own staff as well as foreign consultants would counsel that individual or company, with experience in the building of Credit Bureaus. If consensus on issues were not possible, then the ‘decision maker’ would prevail. The majority owner would be in a position to achieve this objective.

2-Shares should be made available to attract the best qualified people who would be involved in the management of the Credit Bureau. The management team would include the individual responsible for the operation of the Credit Bureau, the individual responsible for the sales and marketing of the Credit Bureau and the individual responsible for the development and function of the Credit Bureau system. The shares available would be ‘stock options’ set aside for any or all of these individuals after a fixed term of employment in conjunction with the achievement of specific performance goals. Recent Credit Bureau ‘start ups’ found this ‘stock option’ program was the best way to attract and retain quality personnel. This ability to retain quality personnel was a significant factor in the success of the building, marketing and profitability of these ‘start up’ Credit Bureaus.

3-Shares should be made available to a foreign partner, either individual consultants or company, who would be available to provide management and technical expertise. Having a vested financial interest in the Credit Bureau would ensure the highest level of performance was first and foremost in the mind of the foreign partner. Should these sources not be interested, local minority shareholders should be considered. That consideration should be based on the value they could bring to the Credit Bureau. Consideration should also be given to a respected Jordanian lawyer.

4-In all cases share ownership would be directed to individuals or companies who would be directly involved in the operation of the Credit Bureau. Shares issued would be 100.

The majority owner and foreign partner would provide 100% of capital and operating requirements while the key staff would earn their shareholdings by contributing a quality and effective performance in the development of the Credit Bureau system, the operation of the Credit Bureau and a successful sales and marketing program, all of which would ensure the ultimate success and profitability of the Credit Bureau. The 87% of the shares (100% less 13% for key staff) should be issued for a value that would equal the total capital requirements and first year operating costs as projected for the Credit Bureau. In this case it would be 7,000 JD per share.

Suggested shareholdings:

Majority owner	67% or 67 shares at 7,000 JD = 469,000 JD
Foreign partner or local partners	20% or 20 shares at 7,000 JD = 140,000 JD
Available for key staff	13% or 13 shares at 7,000 JD = 91,000 JD

Option:

If there was a demand for ownership positions in the Credit Bureau, from companies who could be large information suppliers or others on whom the Credit Bureau would be reliant for its success, another option is possible.

You could set up the Credit Bureau as a holding company with the share ownership as noted above. Subsequently you set up subsidiary companies that would be focused on the product offerings indicated in the marketing plan. The 'Insurance Database', 'Bad Check Database' and 'Negative Database' are the three products where there might be this demand for an ownership position. Each of these subsidiary companies would have shares issued and majority interest (51%) owned by the holding company with the balance of the shares being made available to companies who wish to purchase shares.

Board of Directors:

The Board should be composed with representatives from the ownership and management side as well as outside Directors who would ideally be from companies who would be the largest users and providers of information to the Credit Bureau. An appointee from the Central Bank would be a consideration.

The majority of Board members must be from the ownership and management sides.

A proposed Board would be: five (5) members appointed by the majority owner that

would include management representatives; one (1) member from a foreign partner or consultant and three (3) members selected from users and providers of information to the Credit Bureau.

Banks have the potential to be large users of, and providers of information to, the Credit Bureau. As a result it is recommended one of the outside members be a representative of Arab Bank who control 40% of the banking market in Jordan. The presence of this person would assist greatly in convincing Arab Bank to share their information with and use the services of the Credit Bureau. Ideally, this participation would be a catalyst to other Banks to participate in the Credit Bureau. Other advantages occur that include the ability to set up a credit line with Arab Bank, if necessary, and other Banking products and services that would be necessary as part of the Credit Bureau start up. The caveat to this is how well financed the owner of the Credit Bureau is and the owner's current line Banker.

In this report one of the suggested early products is the Insurance Database directed at local Insurance Companies. It is recommended another of the outside Board members be a representative of the Insurance industry, possibly Jerusalem Insurance. Arab Life Insurance is a larger insurer than Jerusalem Insurance, however given they own a subsidiary that could be considered a competitor of the Credit Bureau, for competitive reasons, Arab Life is not an option at this time. Jerusalem Insurance appears to have considerable influence in the Insurance industry and would be a good candidate to participate on the Board.

Profile of the ideal local Jordanian partner(s) for the Credit Bureau project

Whether the partner is an individual or a group of individuals or a company, the partner(s) must exhibit the following traits, which are a necessity to ensure success of the Jordanian Credit Bureau:

- 1-A local Jordanian or Jordanians who enjoy an excellent business reputation in addition to the respect of the local business community.
- 2-A proven track record in the establishment and success of new business enterprises where patience and substantial 'front end' investment was required.
- 3-An excellent and articulate communicator who is able to identify the key decision makers within the constituent group that would potentially contribute information to the Credit Bureau and within the constituent group that would be potential users of Credit Bureau products and services.
- 4-After identifying these key decision makers, has the network and ability that would allow him to arrange 'in person' interviews with the most important of these potential information suppliers and users of the Credit Bureau.
- 5-Has Government and Business contacts at the highest levels.

6-Displays an entrepreneurial approach to business that reflects ability to make and adapt to change based on changing market conditions. As well has a proven track record as a manager and business leader both internally and externally.

7-Has the ability to convince potential information suppliers to share their information with suppliers or is able to direct his staff to this success.

8-Has the ability to recognize and hire personnel qualified to participate in all areas of the Credit Bureau that would include technical, operations, accounting and sales/marketing.

9-Displays a sound understanding development of a Credit Bureau, challenges it presents and length of time to build to a mature database with information acceptable to prospective users of the Credit Bureau. This would include having a 'game plan' in place as to how would approach commencement of the Jordan Credit Bureau.

10-Has had experience in the extension of credit to consumers for goods and/or services or is able to draw on resources who can provide that experience.

11-Can show to be financially sound and has the capital to invest in a Credit Bureau recognizing there will be a delay of possibly several years before any ROI is realized.

12-Understands the importance of a foreign partner, whether it be an individual(s) or a company, with experience in building Credit Bureau databases from a 'zero base' and is prepared to seek out a foreign partner for assistance in the construction of the Credit Bureau and assistance in the ongoing operation of the Credit Bureau in the near and mid-term or until such time as the Credit Bureau database for consumer credit information reports are mature and acceptable to potential users of the Credit Bureau.

13-Should meet the test of the questions posed to EOI respondents interviewed in May 2000. These questions are contained in the May 2000 report dealing with the 'in depth' interviews with prospective information providers and possible users of the Credit Bureau.

In all traits noted above, an extensive investigation must be undertaken to verify these traits are proven.

Management, Staffing and Organization Structure

The attached chart (Exhibit 'H') details the eleven staff members required for the Credit Bureau, based on the original volume estimates for business. The chart also explains at which point it is recommended each staff member should be hired. As business, beyond

the original estimates, is developed additional staff members should be added after an assessment of the impact new business would have on the Credit Bureau.

The proposed staffing could change depending on the type of legislation that could be passed relative to the set up of a Credit Bureau. The legislation could put certain demands on the Credit Bureau in terms of access to information on the part of consumers.

With the first five products suggested, Insurance Database, Bad Check Database, Microfinance Database and Negative Database, there is no allowance for a department that consumers could contact to discuss their information. This would not be necessary until the actual Consumer Credit Database is ready for the market. There currently is no requirement for consumer access and the proposed products already have limited access in one form or another without that consumer access. Should there be any questions relative to the information that will be delivered to Members on the first five products, the Member should make the contact with the Credit Bureau. When the Consumer Credit Database is ready for the market, a department for consumers to contact should be set up.

(Editorial comment: There is another school of thought that the consumer relations department should be set up as soon as the first product is introduced to the market. As consumer may have the influence to deter future bureau operations, giving them an avenue to voice complaints or seek clarification may be very important in the early days of the bureau).

Months 1 to 3

The first three months see a General Manager and Executive Secretary as the original two staff members of the Credit Bureau.

The majority owner of the Credit Bureau would, in all likelihood, have an existing business and should be able to provide two small offices, from which the Credit Bureau could operate, for the initial time period.

The General Manager should be an experienced businessperson with expertise in sales and marketing, management of a business and understanding about systems and programming. The GM should be familiar with Banking and Retailing and have a network of business contacts at the 'decision maker' level. Most of these businesses would be potential providers of information to, and users of, the Credit Bureau. Someone from the Banking community would be an ideal candidate.

In this time frame, the General Manager should work with the owner in setting up the business as identified in the 'ownership recommendation'.

Other responsibilities of the General Manager:

- Reports to the majority owner of the Credit Bureau.
- Locating office space that would include space for administration, sales and marketing, operations and a computer center as identified in the technical component of this report. Recommended goal is to be in permanent quarters by the sixth month of operation. Ideally the space should be in an area that is close to a number of potential Members and providers of information-specifically in the Banking section of Amman.
- Hiring of an Executive Assistant.
- Arranging purchase of the necessary equipment, as outlined in the technical component of this report, to commence the building of a database as well as desks, chairs, staff PCs and other normal office equipment for the staff that will eventually be hired by the Credit Bureau.
- Arranging necessary communication lines and linkages for the operation of the Credit Bureau.
- Arranging any licensing that may be required in any legislation that is passed by Parliament relative to a Credit Bureau.
- Evaluating and arranging purchase of an accounting system.
- Commencing recruitment activities for the staff that have been identified in the staffing chart. (Exhibit 'H').
- Commencement, in conjunction with the owner of the Credit Bureau, of meetings with the key providers of information as identified in Phase 1 of the marketing plan with the objective being to obtain information for the database.
- Development of basic marketing material for distribution to potential information providers and Members.
- Meeting with important contacts relative to the Credit Bureau. Eg. Governor of the Central Bank, Ministers of Government Departments that could provide information to the Credit Bureau.
- Hiring of a lawyer to handle the legal side of the Credit Bureau.
- Undergoing training as provided by foreign consultants in management, sales and marketing and technical areas.
- Sets up a Banking relationship on behalf of the Credit Bureau.

(Editorial note: It is proposed that the General Manager carry many of the responsibilities of a Sales Manager. It might be worthwhile considering an addition of a sales manager early in the process to work with the development of marketing materials and designing and developing a marketing strategy.)

Responsibilities of Executive Secretary:

- Reports to the General Manager and assists the GM in administrative end of the business.
- Handles correspondence on behalf of the Credit Bureau and the GM.

- Handles phones in the office.
- Sets up appointments for the GM and owner.
- Handles the administration of ‘tape’ agreements as well as Membership contracts.
- Sets up and handles personnel files on employees.
- Handles payment of billings to the Credit Bureau for purchases of goods and services.
- Handles the day today banking relationship.
- Set up of logs of calls made by GM.
- Set up of logs identifying information that is being sent to the Credit Bureau.
- Other duties as assigned by the GM.

Development Manager:

This person would be hired for assignment in the third month of the Credit Bureau’s operation. This individual would report to the General Manager. The individual would be responsible for:

- The implementation of the infrastructure described in the technical section. Under the direction of the GM, facilities and equipment options will be evaluated and presented
- Starting the preliminary design work on the system including the selection of the database and development tools
- Developing the requirements for the programmers to be hired
- Establishing basic development policies and procedures.
- Installation of the equipment and software for the initial development.
- Working with foreign technical consultants to outline their roles in the project.
- Being an active participant in the development of the credit bureau system.
- All of the operational procedures and policies of the data center.

Months 4-9

In this time frame, development of the system will be underway beginning with the preparation of a detail system design. After the approval of system design, development of the search algorithms will be the first priority. The Development Manager will hire two senior programmer/analysts to start in months four and five. The programmers will report to the Development Manager and will be responsible for:

- The detailed design of individual portions of the credit reporting system under the direction of the Development Manager.
- Development, testing, and implementation of software.

- Maintenance and operational review of assigned sub-systems with-in the credit bureau system.
- Preparation of system and user documentation on all assigned sub-systems.

In month six, two sales and marketing personnel should be added to the Credit Bureau staff. They would report to the General Manager. Eventually one of them would rise to be the Director of Sales and Marketing with one of the criteria being their performance in obtaining information and generating business for the Credit Bureau. Their responsibilities include:

- In the first two weeks of their employment undergo a training program as mentioned in the Marketing plan relative to calls to prospective information providers and potential Credit Bureau Members.
- Commencement of efforts to supplement efforts already extended in Phase 1 of marketing plan and commencement of marketing plans for Phase 2 of marketing plan and when product(s) are nearing readiness for sale to the market, commencement of activities as outlined in Phase 3 of the Marketing Plan.
- Set up and maintenance of files on potential information suppliers and potential Members as outlined in the marketing plan.
- On completion of training period, in conjunction with management, set up goals for procurement of information and business activity.

In month seven, one data entry clerk should be brought on staff to handle the input of information for the Credit Bureau that is provided in hard copy.

In month eight, one administrative person should be brought on staff along with one system operator. The system operator would report to the Development Manager and the administrative person should report to the General Manager.

The system operator's duties include:

- Processing of data from all sources and reporting of any problems to responsible programmer.
- Monitoring of the operation of all servers in the data center.
- Support of the internal Local Area Network and the office workstations.
- Monitoring of the data communications and support to members.
- Backup of all databases and management of database archive library.

The administrative person's responsibilities include:

- Handling of Account Receivable and Account Payable functions.
- Handling of the logging of information for the Credit Bureau database and regular follow up of those companies who are delayed in submitting information, contrary to their agreed upon frequency of submission.
- Customer service.
- Data entry.
- Handling of membership application processing, set up in system and set up for access for Credit Bureau products.
- Other duties as assigned by the General Manager.

4-Marketing Plan for Jordan Credit Bureau

Part 1 – Marketing Strategy

General Overview of the Jordan Credit Bureau

1-Marketplace surveys have determined that prospective users of the Credit Bureau want and need each of the products being proposed.

2-Companies who sell goods and services to consumers and companies extending traditional credit to consumers, currently have no central database to check to obtain information relative to the paying habits or other factors that would tell these companies if the consumer applying for credit has developed the intention of repaying any credit extended. The products being developed address this lack of information availability.

3-Insurance companies are in need of a central Insurance Database, with information on consumers. They need the database in order to help eliminate fraud in the accident claims area and to have more information on consumers driving habits to properly assign potential risk on consumers so as to set the annual premium that recognizes these risks with the ultimate positive impact on profitability.

4-Banks, who would be one of the largest industry users of many Credit Bureau products, are switching their business focus from commercial lending to retail/consumer lending. To be successful in this switch, the Banks need the consumer credit information that is being developed by the Credit Bureau.

5-Retailers who extend credit to consumers are reluctant to extend this credit without the benefit of information being developed by the Credit Bureau. If they extended more credit, retailers would increase their sales resulting in increased demand for consumer products. By extension, this would create more jobs and the people taking the new jobs would have money to spend thus creating even more demand for goods and services. The resultant impact on the Jordanian economy would be significant.

6-Microfinance Institutions, who are an integral component of the economic initiatives taken by USAID, through AMIR, need the ability to ‘clear’ or ‘check’ other MFI’s to determine if loan applicants have or have had experience with any MFI’s. They are willing and eager to share their information with the Credit Bureau.

7-The Credit Bureau has only one competitor in Arab Credit Services. However, Arab Credit Services is not directly focused on providing consumer information that contains consumer credit information whereas this would be the primary thrust of the Credit Bureau’s consumer credit reports.

Business Challenges:

1-The Credit Bureau would have to be started from a base of no information. Given the positive response in the May 2000 interviews, with potential information providers, the information could be made available and placed in the Credit Bureau database.

2-Using the Credit Bureau would be a significant change in the business practices of any company who would use any of the services offered. This would require an extensive and ongoing educational process. Included would be the need for awareness campaigns in print and other mediums for consumers. Potential user need for awareness would be addressed via industry user groups, seminar presentations and one on one meetings.

3-There is little trust in the marketplace, amongst competing businesses in the various sectors. This would have to be overcome in a manner that would convince them that sharing their information with the Credit Bureau would not jeopardize their businesses. Techniques, such as 'masking' or 'hiding' the name of the information supplier, could be utilized when credit information on a consumer is presented to a competing company. *(Editorial note: There is another school of thought that providing names of data suppliers may encourage people to become members. It may be that peer pressure exerted thought he sharing of current customers' names actually enhances the customer base of the bureau.)*

4-Information has not been formally committed that would allow the compiling of the Credit Bureau database. The most important components, in the building of a Credit Bureau, is the procurement of consumer information from the various companies who would use the service as well as procurement of the consumer demographic information currently controlled by the Government or any of its agencies. Both areas are mandatory for the Credit Bureau to succeed. History has shown while many companies verbally commit to providing this information, the challenge will be to convert these verbal commitments into actual information. Again, in the May 2000 interviews there was a positive response to willingness to share consumer credit information. It was determined the sharing of negative information, in the initial stages, is the most attractive option to potential information suppliers. Compiling this information requires that it be completed in an order and structure that will allow users to retrieve the correct consumer file and contains all information related to that consumer. Resources are available to assist in the design of the database and subsequent building of that database.

5-The name Credit Bureau has positive connotations for many of the potential users of any or all of the services. It does not yet have any credibility. This credibility would have to be established and then maintained. Experienced resources can be hired to provide direction and guidance in this area.

6-It appears that there are no individuals in Jordan who have had any direct involvement in the building of, or the operation of, a Credit Bureau. Resources, with many years of experience, can be contracted with to teach and guide the owners and staff of the Credit Bureau, in all areas of the Credit Bureau building, marketing and operations. There is

much ability and talent in Jordanians who could easily adapt to the Credit Bureau concept and its operations. These resources typically are located in North America and could be one of the three major US reporting agencies or individuals who have participated in the building of Credit Bureau databases and have consulted in other countries to set up proposed Credit Bureau databases. As far as the individuals are concerned, they should have participated for at least ten years in the building, operation and maintenance of an existing Credit Bureau. They should have expertise in the technical side that makes them: knowledgeable in system design; aware of pitfalls that could occur in the building of a Credit Bureau database; experienced in the expansion of a Credit Bureau database; experienced in data retrieval; aware of logic required in building a database; knowledgeable in adding information to the database; knowledgeable in how to lay the foundation of a Credit Bureau database. They should have experience in the sales and marketing side that makes them knowledgeable and effective: in the procurement of information needed to populate the Credit Bureau database; in the development of Credit Bureau related products; in the sale of Credit Bureau products and services. They should have experience in: the management of a Credit Bureau that includes hiring practices; development of operating procedures; working with industry regulators; developing banking relationships that include operating lines of credit and other banking services; human resource management.

Position in the Marketplace

Description of Credit Bureau Members¹ (Customers):

Members are businesses who:

- lend money to consumers and businesses,
- extend credit to consumers and businesses for purchase of goods and/or services,
- provide insurance coverage to consumers and businesses,
- provide housing accommodation to consumers,
- and provide telecommunication or other utility services to consumers and businesses.

To use Credit Bureau services you must be a Member of the Credit Bureau. This requires a complete investigation be conducted as to the proposed member's need for the services given the sensitivity of the information in the database. A proposed Member must sign a contract that commits them to adherence to any conditions surrounding the use of information from Credit Bureau databases, as may be identified in any legislation that may be passed by Parliament.

¹ It should be noted that in the United States, a movement toward calling customers "Subscribers" has taken place. The term "Member" implies exclusivity but also has implications for ownership and possible right to monitor or modify data in the system. To alleviate the misunderstanding of the rights of a customer, US Bureaus have moved to the term "Subscriber" to imply that the customer pays a fee and receives a service, nothing more, nothing less.

The contract also outlines the responsibility of the Member to provide the Credit Bureau with their information and the responsibility of the Credit Bureau to assemble all information in the Databases in a manner that is orderly and accurate. The Member must ensure the information they provide is accurate and provide available personnel to deal with any disputes around the information they would provide. The Member's responsibility in paying the Credit Bureau for services rendered is laid out.

It is recommended that a Jordanian attorney draft a Membership contract. A Canadian contract to be used as a possible template has been included as Attachment 'J'.

Typically Members pay an annual membership fee (*approx. 50 JD is recommended*) to be a Credit Bureau member.

Credit Bureau Member's Needs:

Members need a fast and reliable service that provides them with information that will help them establish whether or not; a consumer has the ability to make any form of monetary payment for a period of time, a consumer has shown the intention and responsibility of honoring previous agreed upon terms of repayment of one sort or another, a consumer has assets to justify indebtedness, and a consumer has a stable source of income that would extend through the term of any credit extension.

Why Credit Bureau Members choose to use the Credit Bureau:

1-The Credit Bureau would have a reputation for having an accurate and easily accessible database.

2-The Credit Bureau would prove to members that Credit Bureau services would save them both time and money and would help them grow their businesses.

3-The Credit Bureau would be in constant touch with the market to identify changing market conditions, how those changing conditions impact the Credit Bureau's business relative to market share, and how the Credit Bureau would adjust to these changing market conditions with product enhancements to meet member needs.

4-The Credit Bureau would be in constant touch with its members via correspondence, phone calls and 'in person' visits so members would understand the Credit Bureau values them as members and the Credit Bureau's interest in knowing more about their businesses and how the Credit Bureau can be of assistance with the Credit Bureau's product offerings.

5-Members would know they are being treated as partners and have a voice in how the Credit Bureau business operates.

What Sets the Credit Bureau Apart From the Competition?

The only current identified competitor is Arab Credit Services. It appears that their business focus is on 'profiling' which advises their customers as to whether or not they should extend credit to consumers based on an analysis of demographic factors, without the benefit of historical and current consumer credit information. The Credit Bureau does not make decisions for their members. The Credit Bureau compiles consumer credit and consumer demographic information and presents it to their members, for their analysis and members make their own decision. The Credit Bureau would not be so presumptuous as to suggest what decision a member should make when members are potentially investing their monies by lending to consumers.

From an investigative standpoint, Arab Credit Services will conduct credit and background checks on consumers, either by phone or in person. This normally takes a few days. The Credit Bureau service would provide instant consumer credit and demographic information, to their members, allowing members to make their decisions in a prompt and timely manner rather than waiting several days.

Marketing Campaign Specifics and Strategy

There are three phases to the marketing campaign.

Phase One

Goals of this Campaign:

From the initial start up of the Credit Bureau operation, the Goal is to obtain information from Government Agencies as noted below. This information would form the groundwork for the Credit Bureau Database overall and initially for the Insurance Database. It will be possible to commence marketing and selling products once the information has been placed in the Credit Bureau Database. This campaign should take approximately six months. Noted later in this plan is the next Phase of the Campaign.

It is recommended that this information, if possible, be obtained in an 'automated' format that could be magnetic tape, diskette, cassette or via 'email'. It has been established that the six 'Information Sources' identified below have electronic databases that would allow for automated transmission of information. Information on these sources is contained in the May 2000 report with specifics of each source. A summary of these information sources is presented below.

Government Agency Information Sources

	Information Source	Nature of Information
1	Ministry of Interior; Civil Services Department	National ID numbers
2	Research and Studies Department	Passport numbers
3	Public Security Directorate; Driver Licenses Department	Individuals licensed to drive
4	Public Security Directorate; Department Motor Vehicles	Driving records on consumers
5	Public Security Directorate; Police Records	Criminal records/investigation
6	Social Security Corporation	Workers' Social Security #s

The above represents the first phase of data information gathering. In conjunction with the above, contacts should be made with the 26 Insurance Companies, operating in Jordan. These contacts should be with the initial purpose of obtaining their proprietary information on their policyholders. This information would be placed in the Database once the information on the six sources noted above has been entered into the Database.

Process:

1-As part of the 'in-depth' market survey interviews completed in May 2000, the results of each contact was summarized in memo form and attached as part of the May 2000 report. Before any contact is attempted these contact reports must be reviewed to gain an understanding of the details of each interview so as to be well informed when the calls are finally made.

2-Appointments should be made and the potential information suppliers should be seen 'in person' by the most Senior Executive of the Credit Bureau. If there is a Credit Bureau owner and a General Manager, it is recommended they make each call together given the importance of this information to the success of the Credit Bureau. It is further recommended they be accompanied by an individual who has experience relative to information procurement.

3-Once verbal agreement is reached regarding the sharing of information with the Credit Bureau, a 'data' agreement should be signed and technical details of information transmission should be identified on a standard form. 'Subscriber Data Processing Files' should be set up, for each information supplier, in individual binders. It is recommended that a Jordanian attorney draft a tape agreement. A Canadian contract to be used as a possible template has been included as Attachment 'G'.

4-Follow up should be completed to ensure information is initially received and a system set up to ensure updated information is received ongoing-preferably every thirty days.

Strategies for success in obtaining automated and/or hard copy information:

1-First and foremost, the key to success is to have marketing and sales staff that has a proven track record in the sales/marketing area. It takes more than textbook skills to be successful. It takes a healthy dose of intuition and the foresight and flexibility to changes ideas and plans when success is not initially achieved. Having the sense to know when to change thrust and emphasis during meetings as well as knowing how to ‘close’ the deal are additional important traits in personnel.

2-The person or persons making these contacts/calls must be empowered and have the authority to make the best deal possible with the ultimate objective of obtaining the information.

3-Relative to Government tapes noted above, a ‘letter of introduction’ from the specific Government Minister, or better yet from the Prime Minister or even the King, should be obtained. This letter should be a strong endorsement of the effort to commence a Credit Bureau and an underlying tone that would suggest the Government agency should provide their information. USAID, in conjunction with the AMIR Program, as well as the owner of the Credit Bureau, should develop a strategy and work together to obtain this letter or endorsement.

4-As far as non-Government automated information is concerned; many different strategies could be used to obtain this information. The most important component is to know your products and how, by providing their information, it would be to the advantage of the prospective information suppliers, as well as consumers, to share their information. Later in this report there will be explanations on the individual products to be offered that should assist in this area. It is also important for marketing staff to understand the ‘Big Picture’ in the true value of a Credit Bureau and to ensure prospective data suppliers know how, by supplying their information, it can significantly help their own businesses as well as the Jordanian economy.

5-In the pricing information that follows, a three-tiered price has been established to reward those companies who provide their information. They pay one of two prices and non-tape information suppliers pay a higher price. Secondly, a number of ‘free’ reports could be offered, on a one-time basis, in return for regular transmission of information.

6-Another strategy is to name other companies who are currently supplying their information. It is important to note, however, that you must be sure the company you would use as a reference has clearly agreed to allow the use of their name. History has shown that if you use one companies name, the company to whom this information has been related will generally know someone at the reference company and will do a direct check to confirm the accuracy of your statement. Furthermore if you use a client’s name as a reference without their express permission, it will negatively impact on the ‘confidentiality’ acumen the Credit Bureau is trying to develop.

With the exception of Point #3 , the strategies noted above apply to the Phase 2 campaign, detailed below.

Phase Two

Goals of this Campaign:

After Government information has been agreed to and Insurance Companies have also agreed to supply their information, then the next phase is two-fold. Firstly, to obtain additional information from other sources as noted below and secondly to convince companies to join as members of the Credit Bureau and use the services of the Bureau.

Unlike the Government information sources identified previously in Phase one, many of the businesses, who will be approached for information in this phase, may not have the ability to provide that information in an automated format. The priority continues to be the gathering of information for the various databases so the information should be sought out whether in automated format or in 'hard copy'. Automated information is much simpler to handle and requires less involvement by staff. On the other hand 'hard copy' information must be manually entered into the database, by staff, which means higher expense. In the pricing component that follows, it is suggested automated information supplying members be charged the lowest fee per inquiry, members who provide their information in 'hard copy' be charged a higher fee and non-information supplying members of the Credit Bureau would be charged the highest fee per inquiry.

In this phase, the potential members pursued for their consumer information should be asked firstly for their total information (both positive and negative). Although the May 2000 interviews indicated many potential information suppliers prefer to start with negative information only, the sooner you can begin to collect both negative and positive data the better. It may be that only negative data is released until the full file is prepared, but the collection of positive data should begin as soon as customers are willing to provide it and all information collection meeting should include full data requests.

The negative information would include Bad Checks, consumer loans, mortgage loans and credit card accounts that are in arrears, consumer overdrafts, and any other credit accounts that are currently in arrears or have been charged off as Bad Debts. The positive information notes all current and historical credit arrangements that have been handled as agreed.

'Hard copy' information supplying members should be encouraged to develop automated information transmission means with the benefit of lower Credit Bureau handling costs and lower per inquiry fee for the member.

There is nothing to prevent a start of Phase 2 even though Phase 1 may still be underway.

Phase 2 is primarily directed at obtaining information for the database, it is prudent to make preliminary efforts to interest these providers in using Credit Bureau products when they are available for sale. Records should be kept for reference purposes in Phase 3 of the marketing campaign. Phase 3 is detailed at the end of Phase 2 comments.

As part of Phase 2, there are primary contacts that should be made to potential information suppliers and users of Credit Bureau services. These companies have indicated their verbal commitment to the supplying of their information to the Credit Bureau and their information would be important additions to the Credit Bureau database.

A full review should be completed of the May 2000 survey to gain a thorough understanding of the potential information suppliers' comments and information on their businesses.

1-Jordan Loan and Guarantee Corporation. They have 75,000 files on individuals that has been gathered over the past five years from the following sources: newspapers with information regarding lawsuits, information on tax arrears from the Tax Department, information on monies owing from the Customs Department, banking information on checks they have completed via bank employees. The information is automated. Their systems were funded by USAID.

2-Central Bank-Is currently in the process of attempting to set up a 'Bad Check' database. The Governor of the Bank appears to be a proponent of a Credit Bureau. This proposed database could easily be handled by the Credit Bureau relieving the Bank of additional responsibilities. Interviews with Banks who will be supplying this 'Bad Check' information to the Central Bank would prefer a 'third party', such as the Credit Bureau, handle the 'Bad Check' information. In addition, efforts should be made to obtain details of 'loan loss provision' accounts as forwarded to the Central Bank, by Jordan's Banks.

3-Arab Bank. This Bank claims to have 40% of the market in Retail Banking. The individual responsible for the Jordan component of the Bank, Mufleh Akel, is a strong supporter of the need for a Credit Bureau. Given the size of this Bank, their information is a must for the Credit Bureau to achieve its potential. Having their information adds credibility to the Credit Bureau and could be the catalyst to other companies agreeing to provide their information. Would initially share their negative consumer loan information and once Credit Bureau has credibility would then share current consumer loan information (currently have 50,000 loan customers).

4-National Express-A Credit Card Company with over 20,000 accounts. Their data is automated. Have committed to providing their information and using Credit Bureau services.

5-Four Sustainable Microfinance Institutions. They all have automated databases and have committed to providing this information with the hopes it will be placed in a special Microfinance Institutions database. This will be explained in detail in the proposed product offering section to follow. Combined they have over 27,000 accounts.

6-Jordan National Bank-The Chairman of the Bank supports the concept of a Credit Bureau, as does his operational staff. Believes all Banks and Retailers should provide their consumer information to the Credit Bureau. Would supply the consumer

information on their 20,000 consumer loans and 8,000 consumer credit card accounts to the Credit Bureau if they were assured the Credit Bureau site was secure and other Banks would not be able to see Jordan National Bank accounts.

7-Bank of Jordan-Senior staff support the concept of a Credit Bureau. Would have to receive approval of the Bank's General Manager for sharing of information. They currently have 7,000 credit card accounts and an unknown number of consumer loan accounts. Information is automated.

8-JWICO-A manufacturer/retailer who believes in the need for a Credit Bureau. Believes that the availability of the information in the Credit Bureau database would allow him to make more credit decisions that would allow increased sales and subsequent demand in his manufacturing business for more product. Has electronic data with over 50,000 consumer files that he would share with the Credit Bureau.

9-Fastlink-Currently the only cell Phone Company in Jordan. They will, however, be facing competition later in 2000. They have over 200,000 accounts in their electronic system. While they did not commit to sharing their information with the Credit Bureau, effective marketing could convince them to share. They do have over 10,000 overdue accounts, which would be the initial area to pursue for sharing of information.

10-Jordan Telecom-Have over 567,000 active accounts. Problem is these accounts are not automated. They will share their negative information, which would be important to a proposed Negative Database.

11-Global One-Largest Internet service provider in the country. Have committed to providing their negative consumer credit information and must seek approval of their Board to provide positive consumer credit information.

12-Lema Company/Water Authority-Have 297,000 customer accounts in the Greater Amman area. Have extensive demographic information that would be valuable information for the Credit Bureau database. Their overdue accounts are available electronically. Request for this information must be made through the Water Authority.

In addition to the prospects noted above, by reviewing all the interviews conducted in May 2000, which are part of the May 2000 report, secondary contacts can be identified and prioritized and approached for meetings. Attached as Exhibit 'F' is a generic listing of business types that should be able to provide information for the Credit Bureau. These business types should be followed up.

Process:

1-Set up appointment with the key contact person of the company, or their designate, for an exploratory 'in person' interview and suggest you may be looking for their advice and assistance on a project you are completing.

2-At the interview one should use the 'Survey-Sell' marketing approach.

3-The approach noted above means that when you start your interview you explain you are completing a survey to determine the expansion opportunities for your business and the need to understand the market before you commit to investment and staff. You go on to explain what a Credit Bureau is, some background on the project to date and the value of the Credit Bureau to the economy. You would then attempt to determine the person's knowledge regarding Credit Bureaus. You should always be open to questions at any time.

4-Then, in a conversational manner, complete a questionnaire to gain an understanding of the company's needs and how the Credit Bureau could meet these needs. A sample questionnaire is part of the May 2000 report and at the end of the general questionnaire there are customized questions for particular industries.

5- In completing the questionnaire you will gain a broad understanding of any consumer information the company may have and whether it is automated or available in 'hard copy'.

6-Determine the company's interest in sharing this information and their interest in participating in the use of Credit Bureau products, when they are available.

7-Depending on the seriousness of their interest in sharing their information (positive and negative or negative only) determine the process required to obtain this information. i.e. do they need to obtain approval from another individual or committee? If so, the details. Do they have to work with their Information Technology department? How readily available is any 'hard copy' information? etc.

8-The interview will be a 'go with the flow' and see where it takes you. It is unlikely you will obtain approval for any information on this interview, however if you do, you should be ready to start the process.

9-One should ask the contact for any advice they care to offer in how to make the Credit Bureau successful and what it would take for them to participate if they haven't already committed to doing so.

10-When the interview is completed, you should arrange a follow up date to meet again as the next step in obtaining their information and having the company become a Credit Bureau member.

11-A file should be set up with a summary of the contact as well as the completed questionnaire and suggested next steps.

12-Subsequent follow up is directed to membership, obtaining of information and commitment to the use of Credit Bureau products and services.

Note: A nurturing process is now underway to know the prospective members better and gain the confidence that will eventually lead to their providing information and becoming a member of the Credit Bureau. Follow up should be ongoing with current prospects and development of new prospects should be an integral part of the Credit Bureau growth.

Other action to be taken to assist in the growth of the Credit Bureau:

1-User groups should be set up in individual business sectors such as Banking, Insurance etc., with the following purposes:

- a-Getting to know the individuals and their companies.
- b-Obtaining their input on how to develop business for the Credit Bureau.
- c-Obtaining their input on how to obtain information for the database.
- d-Obtaining their input on what products and services they need for their businesses.
- e-Develop partnerships to nurture the growth and success of the Credit Bureau.
- f-Build camaraderie and a sense of belonging, relative to the Credit Bureau, in each of these sectors.
- g-Assist in alleviating any mistrust that exists between competitors in individual industries.

Meetings of these user groups should be held on a periodic basis with specific agendas and input from the user groups on the agenda.

One of the agenda items should always be an update on the progress of the Credit Bureau with special emphasis on recent successes in: obtaining information, obtaining new Members, meeting technical goals etc.

2-Credit Bureau personnel should attempt to participate in any trade organizations that have prospective Members in their groups. Some examples would be: Chamber of Commerce, Retail Merchants Association, Bankers Association, Property Managers Association, etc. These are excellent networking opportunities and should be utilized to the fullest.

3-Ownership of the Credit Bureau should give consideration to providing financial support to employees who wish to take course to gain a better understanding of different sectors. As example there may be consumer credit courses offered by the Bankers' Association that could be available to non-bankers.

4-A periodic Credit Bureau newsletter should be produced and sent to a broad mailing list of 'decision makers' to ensure the potential market is aware of the Credit Bureau and what it is doing.

5-Brochures and advertising materials, relative to the Credit Bureau and its products and services, should be produced for distribution to prospective Members and interested parties.

6-Periodic seminars could be held to educate the market as to the Credit Bureau and at the same time consider including speakers at these seminars who would be of interest to attendees. These speakers could assist in helping potential Members understand how the Credit Bureau could help their businesses.

7-Any other initiatives that could be identified and used to develop business.

Employee goals:

Goals should be set for information procurement over a specific period of time.

Goals should be set for volume of information procurement over a specified period of time.

As example, a goal for one employee could be: ‘Obtain four signed tape agreements over the next month that will provide information on at least 10,000 consumers and at least 10,000 consumer credit trade lines.

A chart should be set up in the office to track the success of each employee involved in efforts to obtain information for the Credit Bureau databases.

Goals should be set jointly between management and employees.

Employee compensation should have one component that recognizes success in obtaining information and another component that would recognize success in signing Members and the revenues these members provide to the Credit Bureau.

Compensation is dealt with, in detail, in the Management section of this report.

Training:

Training is a necessity in the sales and marketing side of the business. Foreign partners or foreign experts must be brought to Jordan, in the early going, to demonstrate how to conduct the interviews and answer the questions that will inevitably be raised. As part of a foreign partner or expert’s involvement, a question and answer sheet will be set up for reference purposes. Before any outside or ‘live’ calls are made, role plays should be conducted, with Credit Bureau personnel, by the Foreign partners or experts. After ‘live’ interviews are made, a debriefing session should be conducted to critique each interview. The first ‘live’ calls should be made by experts with observation by Bureau personnel. Subsequent interviews should be made by Bureau personnel and observed by experts.

The training component is also be dealt with in the Management section of this report.

Final comments:

Information procurement is a challenging and at times difficult process. Expectations should be realistic yet achievable. The need to have Credit Bureau owners involved in

this process, in the early going, cannot be overstated. The need to keep staff motivated will also be a challenge that can be overcome with success in procuring information. History has shown that information procurement is the difficult component of building a Credit Bureau.

Phase Three

Goals of this campaign:

The goal is to succeed in the marketing and sale of Credit Bureau products.

To continue to make efforts to obtain positive credit information from every available source to be added to the database including those Members who currently provide only negative information.

This campaign directly commences when the Credit Bureau is ready to sell any products to its Members. Throughout Phase 2, indirect selling of products was commenced by planting seeds in the mind of Members and prospective Members when efforts were made to have them provide information for the database.

Phase 2 will probably still be underway when Phase 3 commences.

The effort to generate information for the database is ongoing. Phase 3 now places emphasis on generating revenues for the Credit Bureau.

Process:

- 1-The skills of the sales and marketing staff of the Credit Bureau will make this phase a success.
- 2-Staff should use normal sales and marketing practices and draw upon the information they developed as part of Phase 2 relative to Member needs and interest in Credit Bureau products.
- 3-Staff should refer to accumulated information and develop a plan of action to approach those Members or prospective Members most likely to use Credit Bureau products.
- 4-Staff should ask Members for suggestions on businesses they should approach to sell the Credit Bureau products.
- 5-Prospects should be developed using the Chamber of Commerce's list of businesses, by industry. A mass market mailing campaign should be considered. This campaign would introduce the Credit Bureau and solicit their questions as a lead in to developing business.

6-Prospective Members should be asked questions, similar to the questionnaire noted in Phase 2, that would guide Credit Bureau staff in identifying areas where product sales could be made as well as estimating the volumes successful sales would generate.

Employee goals:

Goals should be developed with employees that relate to new Member signings and dollar volume generated from their Member accounts.

A portion of compensation should come from employee results in achieving these goals.

This phase of the Credit Bureau development is ongoing.

Part 2 – Product Offerings, Profiles and Pricing

Proposed Product Offerings and their Profiles:

Products that could be offered by the Credit Bureau are segmented by the fact the ‘full or mature file’ Credit Bureau will not be sufficiently developed and ready for sale for at least three years. The ‘full or mature file’ eventually will be the primary product offering. In the interim there are five product possibilities that have been identified. The first product would be ‘An Insurance Database’, second would be a ‘Bad Check Database’, third would be a ‘Microfinance Institutions Database’, fourth would be a ‘Negative Database’ and fifth would be a ‘Bulletin Service’. When the Credit Bureau has a ‘full or mature file’ then the ‘Consumer Credit File’ product should be made available.

It is recommended that products be developed and offered in the order identified above. The Insurance Database’ would appear to be the easiest product to bring to market in the shortest period of time, depending on procurement of the information necessary to populate the ‘Insurance Database’.

1-Insurance Database

Definition:

A Database containing information on individual consumers relative to their driving records, claims history, insurance carrier history and other insurance and demographic related information to be used for identification purposes.

Content of Database:

- National ID numbers and Passport numbers assigned to consumers.
- Demographic information on individual consumers that would include name, address, postal code, telephone number, birth date and social security numbers.
- Information regarding individuals who have been in automobile accidents.
- Information on driving infractions incurred by individual consumers.
- Driver’s License information relative to consumers.
- Licensing information on motor vehicles owned by consumers.
- Information on consumers who have filed accident claims and with which companies.
- Information as to which companies consumers have placed their insurance policies.

Purpose:

To allow the Jordanian Insurance Industry to become more profitable and efficient. By accessing the 'Insurance Database' of driver and motor vehicle records, Insurance Companies are able to obtain information that allows them to assess their customer's driving habits. In doing so they are able to effectively establish premiums based on determining the risk of insuring individual drivers after review of the 'Insurance Database' information. In addition, Insurance companies are better informed about accident claims, past and present, in order to keep fraud to a minimum. This 'Insurance Database' allows sharing of claim information when a consumer, who has multiple insurance policies, files more than one claim on the same accident or frequently files accident claims.

Background:

The Jordan Insurance Federation identified a need for this product and earlier this year asked the Government to provide the Insurance Federation with the same information proposed for this database product. They planned to set up their own database and would offer access to Insurance Companies. They were refused by the Government and are now at a loss to find an alternative. (This information was obtained through by Ahmed H. Khalil of Jerusalem Insurance who is one of the 5 Jordanian Insurance Federation Board members who met with Government officials relative to the information.) This product is the solution the Insurance Companies have identified and need.

Target Market:

Is the Insurance industry. There are 26 Insurance carriers in Jordan and each is an excellent candidate and should be contacted concerning this product. Survey results from May 2000, and again in May 2000, indicated they need and would use this product.

Note:

An offshoot of this product, once Insurance Companies have shared their customer information with the Credit Bureau, is a product that would advise Insurance Companies when one of their customers has a similar policy with another company. The system could be programmed to create a report that identifies duplication and you could advise the Insurance Companies affected, for a set fee, if they have signed up for the program.

2-Bad Check Database

Definition:

A Database containing information on individual consumers who have issued 'Bad Checks' along with whether or not those 'Bad Checks' are currently outstanding or if they have been satisfied. Also in this Database is information relative to consumers who have overdrawn their Bank accounts. 'Bad Checks' are checks issued by consumers that, when presented to the Bank on which they were drawn for payment, do not have sufficient funds in the account to cover the amount of the check. Additional information includes consumer demographics used for identification purposes.

Content of Database:

- National ID numbers and Passport numbers assigned to consumers.
- Demographic information on individual consumers that would include name, address, postal code, telephone number, birth date and social security numbers.
- Names of individuals who have issued 'Bad Checks'.
- Information on these individuals as to whether or not they have redeemed these 'Bad Checks'. The information would be both current and historical. That is the names of 'Bad Check' passers would remain on the Database, for at least two years, even though the 'Bad Check' had been redeemed.
- Names of individuals who have overdrawn their Bank accounts due to their failure to have sufficient funds to pay their Credit Card balances. Most consumers are required to pay their credit card balances within 30 days of balances being incurred. If the funds are not in their Bank accounts to cover the balance, the Bank account is then overdrawn and placed in 'overdraft' status and the credit card balance is then paid in full.

Purpose:

To allow organizations who extend credit or accept Post Dated Checks, the opportunity to identify consumers who have issued 'Bad Checks' or overdrawn their Bank accounts. This information assists the users in determining the credit worthiness of individuals who are applying for credit, opening Bank accounts or offering to pay for goods and services via post dated check.

Background:

In 1999 there were 591,400 Bad Checks issued in Jordan, for a total of JD 509.6 million. These Bad Checks have had a serious negative impact on businesses that have accepted

them in return for goods and services provided. In our surveys, all interviewees indicated the Bad Check situation was and would be a 'cash flow' problem for them if they accepted Checks as a normal practice. There is no central database to check to see if consumers currently have outstanding Bad Checks or have in the past issued Bad Checks. Were there a Database available, it would assist businesses in determining whether or not to accept a Check for goods and services based on what these businesses found when they checked the Database. The Jordanian Banker's Association has an unsophisticated Database of Bad Checks. The information they have is provided to them, on a voluntary and selective basis, by the various Jordanian Banks. The Central Bank is in the process of attempting to set up their own Database, with specific guidelines for sharing of the Bad Check information with them, by Banks. Banks would then have to pay an as yet undetermined fee for each inquiry on this database. Central Bank expectation is that each consumer loan application would generate an inquiry on this database. As a result the Banker's Association will no longer handle this function. Many Banks are not happy with this situation and would prefer a 'third party' handle the information. This information was verified by the acting General Manager of the Banker's Association.

Target Market:

Banks, Retailers, Wholesalers, Insurance Companies, Utility Companies, Telecommunication Companies, Micro Finance Companies, Credit Card Companies, Manufacturing Companies and Landlords. Banks currently are the only organizations that have access to 'Bad Check' information. In the May 2000 survey, it was determined the target market companies are most eager to be able to view and utilize the information in this proposed Database. The survey indicated over 90 per cent of potential users surveyed want and need this service.

3-Sustainable Microfinance Institution Database

Definition:

A Database containing information on individual consumers who have had or currently have an outstanding loan extended by one of Jordan's four Sustainable Microfinance Institutions.

Included would be demographic information to be used for identification purposes.

Content of Database:

- National ID numbers and Passport numbers assigned to consumers.
- Demographic information on individual consumers that would include name, address, postal code, telephone number, birth date and social security numbers.
- The name of the Microfinance Institution who lent monies to individual consumers with the name of the Institution attached to the consumer.
- The date the loan was opened, terms, manner of payment and when paid out, if paid. Outstanding balance would show if balance still open.
- Inquiries are made by Microfinance Institutions, on individual consumers who are requesting loans.

Purpose:

To allow Microfinance Institutions the opportunity to 'clear' or 'check' to determine if loan applicants have or have had loan experience or have applied for a loan with other Microfinance Institutions.

Background:

Microfinance Institutions are willing and eager to share their information with the Credit Bureau. They all expressed strong interest in this product on the basis it would make it make them more efficient. They have a good working relationship with each other.

Target Market:

The four Microfinance Institutions currently operating in Jordan.

4-Negative Database

Definition:

A Database that would contain negative credit information on individual consumers. This would include accounts where credit of any type was extended and repayment has or did not meet the contracted terms whether still outstanding or paid out. This would also apply to 'written off' accounts.

Content of Database:

- National ID numbers and Passport numbers of consumers.
- Demographic information on individual consumers that would include name, address, postal code, telephone number, birth date and social security numbers.
- Information on consumers who have been sued in civil court along with details of suits.
- Information on consumers who are in arrears with their taxes. This would include the amounts overdue and the length of time the arrears have been outstanding.
- Information on individual consumers who are dealing with Banks who have taken a 'loan loss provision' on these individual consumers. The information would include the amount of the 'loan loss provision' (defined as an account where collection presently looks doubtful and a Bank is required to report the account as a 'write-off even though they are still attempting collection), the length of time the account has been in arrears, the names of guarantors involved in the loan (if any) and the nature of security on the loan (if any). It would also include the amount of the loan originally contracted for, the terms of the loan and the amount paid.
- Information on individual consumers who are in arrears or have had their accounts 'written off' with Banks, Retailers, Wholesalers, Insurance Companies, Utility Companies, Telecommunication Companies, Microfinance Companies, Credit Card Companies, Manufacturing Companies and Landlords.
- Members of the Credit Bureau will normally provide this information. They are Members given they have needs for various services offered by the Credit Bureau and one of the contracted obligations in being a Member of the Credit Bureau is to share their information with the Credit Bureau.

Purpose:

To provide Banks, Retailers, Wholesalers, Insurance Companies, Utility Companies, Telecommunication Companies, Microfinance Companies, Credit Card Companies,

Manufacturing Companies and Landlords with a consolidated database of negative credit information on consumers to provide them with relevant information that will allow them to make better informed decisions on individual consumers who are requesting credit for goods and/or services. This information will allow creditors to extend more credit to qualified consumers and potentially assist creditors in reducing their write offs.

Background:

Companies that were interviewed in May 2000 all expressed frustration with their inability to check a central database that would reveal negative credit information on consumers. A significant problem is creditors inability to establish character and intent on their consumer applications for credit. This database would allow them to find out if their applicants are not satisfying their credit obligations.

Target Market:

Banks, Retailers, Wholesalers, Insurance Companies, Utility Companies, Telecommunication Companies, Microfinance Companies, Credit Card Companies, Manufacturing Companies and Landlords. All these types of businesses, when interviewed in our May 2000 survey, stated their desire to use this product on an ongoing basis.

Note:

Interviews with various types of businesses indicate that an initial 'Negative Database' is the ideal start to a 'full file or mature' Consumer Credit File Database. Many companies are initially prepared to share their negative information until the Credit Bureau proves it can deliver what it promises in terms of accurate files and useful information.

Competitive pressures make potential Database contributors reluctant to share their positive consumer credit information databases, in the early going of the development of a Credit Bureau. This is especially prevalent in the Banking community.

It is expected many companies will share both negative and positive information. If, in fact, they do share their positive information, the positive information should be suppressed while the historical database is being built.² When the historical database is built, the positive information could then be released to allow the sale of full consumer credit bureau database reports to the marketplace.

² Editorial: There are a couple of schools of thought here. One to suppress and the other is to collect and sell all information, negative and positive, as soon as it is made available.

5-Bulletin Service

Definition:

A quarterly hard copy publication that could be sent to clients electronically or in 'Hard Copy'. The publication contains information on consumers relative to those who have issued 'Bad Checks' in a specific time period, any public record, credit related, information relative to consumers and information relative to Businesses that may be provided by the Official Gazette as well as any public record, credit related, information on businesses.

Content of Bulletin:

- Names and other identifying information of consumers who have issued 'Bad Checks' since production of the last Bulletin.
- Balance of each individual 'Bad Check'.
- Date each 'Bad Check' was issued.
- Listing of any writs filed or judgments recorded against consumers including amount of writ or judgment, date writ filed or judgment rendered and identifying information of each individual
- Listing of any writs filed or judgments recorded against individual Businesses including amount or writ or judgment, date writ filed or judgment rendered and identifying information on each Business.
- Information on individual consumers who are in arrears with their taxes.
- Information on Businesses who are in arrears on their taxes and/or customs duties.
- Individuals or Businesses appearing in the bulletin would be identified by name, address and postal code.

Purpose:

To provide information on individuals and/or businesses for reference purposes regarding historical information relative to Bad Checks, public record information, writs filed or judgments recorded against individuals or Businesses.

Background:

Similar product is not presently available. Experience in North America is that in the early years of a Credit Bureau this is a needed and well-used product, especially for small companies who do not have a large number of annual credit inquiries and would have the ability to refer to current and past bulletins to check on consumers who ask for credit or ask the companies to accept post-dated checks.

Target Market:

Banks and Retailers. This would be sold to individual Bank branch locations and individual Retailer locations. They would use each issue as a reference to be checked on individual Jordanian consumers or Businesses. They would normally keep previous issues of the Bulletin for historical purposes.

Note:

As the reader can see from the contents of each of the proposed databases, there is information common to all of them and there is information that is distinct from the others. The question is how do you make this work? The answer is that all the information is in the same database but access to the specific contents of each database would be defined in each product. Search functions would use specific search mechanisms for each product. As example the 'Bad Check' product would only be available to members that subscribe to that product and the product would be limited to the contents of that database. The same is true for all proposed products except the Bulletin service, which is not a database.

As noted under the Negative Database section, all positive consumer information that is obtained, should be suppressed until such time as the historical information has been built that would allow the consumer credit report database to be made available to the marketplace. This suppression should be built into the system functionality.³

³ Refer to earlier note regarding suppression of data.

Part 3 - Projected Product Annual Activity Potential and Proposed Pricing

When each of the first products is available for sale to the field, the first month that inquiries are taken it is recommended there be 'no charge' for these inquiries. This step is to assist Members in becoming familiar with the products and as part of the ongoing testing to validate the functionality of each product. The financial statements reflects this approach. The fifth product 'Bulletin Service' would not offered at 'no charge'.

Product pricing recommendations broadly reflect the numbers deemed acceptable to the marketplace.

In the first four products, it is expected inquiries of the Credit Bureau databases will be completed in an automated manner.

1-Insurance Database

Rationale for estimate of annual activity potential:

Insurance Companies will check the Database before issuing or renewing 'Comprehensive' Insurance policies. They may check when handling motor vehicle accident claims and also on other types of Insurance where they have the option of accepting or declining the request for a policy as well as assigning any premium they decide is appropriate for the particular policy.

Under legal mandate, Insurance Companies must carry third Party Motor Vehicle policies as assigned to them by the Union of Insurance Companies. As a result, they would not check the Insurance Database on these types of policies because they have no choice but to accept them. Also because the legally mandated premium is so low, they claim they are losing money on this type of insurance and as a result are not prepared to incur additional expense, such as the cost to check the Insurance Database.

Annual volume estimates:

There is an estimated 80,000 Comprehensive insurance policies in force in Jordan. In the Year commencing when the Database is ready to be sold, the expectation is all **80,000** policies will each generate an inquiry on the Insurance Database. Interviews determined we could expect all of these policies to be checked in the first year, however a more reasonable expectation would be in the 90% range. In Year 2 that number will decrease to approximately **16,000** per year. This estimate is based on the fact there is a turnover estimated at an average of 20% in the Industry on these policies. The turnover percentage represents those consumers who leave one Insurance Company to take their business to another Insurance Company.

There are approximately **100,000** motor vehicle accidents, each year, on which an insurance claim is filed. Each of these accident claims would generate an inquiry on the

Insurance Database as the Insurance Companies attempt to determine if the same accident claim has been filed with another Insurance Company. A reasonable expectation of the annual number of inquiries would be in the 90% range. This number should remain constant each year.

There are approximately 112,000 other types of Insurance policies in place. Using the same rationale of Comprehensive policies, the expectation is for **100,800** generated inquiries in Year 1 and 20% or **22,400** of that number in subsequent years.

In both the Comprehensive and other types of Insurance areas the 20% was derived from the fact one company estimated turnover of 15% and the other company estimate of 30%. The 20% seems realistic on the conservative side.

Pricing of Product:

There would be three prices for inquiries of the Insurance Database:

The first price of **3JD per inquiry** would be given to those Insurance companies who provide the names of their own policyholders, the demographic information on those policyholders and the type of Insurance policy each policyholder has with that company. This information would have to be provided to the Credit Bureau in an automated format. Also included, at this price, would be Insurance companies who are in the verified process of preparing this information for transmission to the Credit Bureau.

For those companies unable to provide automated information and yet could provide that information in 'hard copy', their price would be **4JD per inquiry**

A third price of **5JD per inquiry** would be given to those Insurance companies who do not provide the above noted information and are not currently preparing the information, for transmission to the Credit Bureau.

This third price provides incentive for the Insurance companies to provide their information to the Credit Bureau. If this is not enough incentive, after a period of six to nine months of usage and satisfaction, a review should be completed and consideration given to increasing this price to 7JD or 8JD per inquiry with the ultimate objective being to obtain their information. It is important the Insurance Companies be comfortable with the product, therefore the initial price is attractive and encourages them to use the Database. Once they are satisfied with the quality of the product, then a more aggressive approach can be taken to obtaining their information in the form of a price increase. This rationale would also apply to the following three products, Bad Check Database, Microfinance Institutions Database and Negative Database.

2-Bad Check Database

Rationale for estimate of annual activity potential:

In the in-depth market survey completed in April of 2000, it was determined there is a minimum of 175,200 consumer applications for credit, annually. Based on the interviews conducted during the survey, it is expected that part of the investigative process for each credit application would include an inquiry of the 'Bad Check Database' as to whether or not the consumer applying for credit has had, or currently has, issued a Bad Check. This inquiry would assist the creditor in establishing the consumer's character based, in part, on the individual being responsible enough to not issue a Bad Check. It was also help establish whether or not the consumer has the income that would allow the consumer to make the required payments on the credit being requested. The expectation, then, is for *a minimum of 175,200 annual inquires* on the Bad Check Database, when the Database is ready for sale to the market. The estimate is only for those companies that were surveyed in April. There are many more companies in the marketplace that would use this service. However, on the conservative side, a reasonable expectation would be in the 75% range of 175,200, or 131,400 in the first year with at least that amount in following years.

Pricing of Product:

There would be three prices for inquiries of the Bad Check Database.

The first price of *3JD per inquiry* has a condition applied to it that relates to the Negative Database product. If a company were providing information on their delinquent consumer accounts, along with demographic information on those accounts, to the Credit Bureau in an automated format, then they would qualify for this pricing. Also included, at this price, would be companies who are in the process of preparing this delinquent account information for transmission to the Credit Bureau. As well, companies who may not have delinquent information but have a database that contains negative information on consumers would qualify for this price if they were currently passing the information to the Credit Bureau or had plans to do so

For those companies unable to provide automated information and yet willing to provide the information in 'hard copy', their price would be *4JD per inquiry*.

A third price of *5JD per inquiry* would given to companies who do not provide the above noted information and are not currently preparing the information, for transmission to the Credit Bureau.

3-Microfinance Institutions Database

Rationale for estimate of annual activity potential:

In a survey conducted amongst the four Microfinance Institutions, it was determined the number of applications anticipated from potential clients for all four Institutions combined, would be as follows:

Year 1 – 20,459
Year 2 – 25,081
Year 3 – 30,022
Year 4 – 37,625
Year 5 – 42,191

Based on the above numbers, a conservative estimate of the minimum number of inquiries that would be generated is 75% of the annual numbers.

Pricing of Product:

There would be three prices for inquiries of the Microfinance Institutions Database.

The first price would be **3JD per inquiry** and would be given to those Microfinance Institutions who provide their customer information in an automated format.

A second price of **4JD per inquiry** would be given to those companies unable to provide the customer information in an automated format yet able to provide the information in hard copy.

The third price of **5JD per inquiry** would be given to those Microfinance Institutions who do not provide any information on their customers.

4-Negative Database

Rationale for estimate of annual activity potential:

The in-depth market survey, completed in April of 2000, determined that, annually, there is a minimum of 175,200 consumer credit applications. Based on the interviews conducted during the survey, it is expected that part of the investigative process for each credit application would include an inquiry on the negative database. In the case of this product, the fact there would possibly be overdue accounts on consumers would be an even stronger incentive for a company to inquire of this database. While there may be some question of a consumer's character relative to a consumer's issuance of a Bad Check, the fact there is an overdue account would be a more definitive indication the consumer has trouble meeting his obligations. This allows the inquiring company to make a better-informed decision if there was an overdue account. Potential is a **minimum**

of 175,200 annual inquiries. This estimate is only for those companies that were surveyed in April. There are many more companies in the marketplace that would use this service. However, on the conservative side, a reasonable expectation would be in the 75% range of the 175,200 or 131,400 in the first year and a minimum of that number in following years.

Pricing of Product:

There would be three prices for inquiries on the Negative Database

The price of **3JD per inquiry** would be for companies who supply information to the Credit Bureau, or are in the process of supplying information to the Credit Bureau in an automated format. The second price would be for those companies unable to provide their information, in an automated format, yet willing to provide this information in hard copy. Under this scenario the price per ***inquiry would be 4JD.***

The third price of **5JD per inquiry** would be for companies who are not supplying any of their information to the Credit Bureau.

5-Bulletin Service

Rationale for estimate of annual activity potential:

It is difficult to estimate the number of subscriptions that would be sold, however one would focus on small retailers who would normally have demand from consumers to accept personal checks for payment of goods and services. This product would be promoted to members of the Credit Bureau who subscribe to the Insurance Database, Bad Check Database or Negative Database. In addition it would be suggested that the membership list of Associations such as the Chamber of Commerce, be used to send information on the Bulletin service to those companies who have business dealings with Jordanian consumers.

Based on information from the Ministry of Industry and Trade, there are 200,000 sole proprietorship companies in Jordan and 70,000 companies with more than one partner, for an overall total of 270,000 companies. It is reasonable, based on experience as well as the fact that Bad Checks are a problem for many businesses in Jordan, that 5% of these companies, once contacted, would subscribe to the Bulletin Service, not only to see who is issuing Bad Checks but also to see the other information that would be contained in the Bulletin. This would represent a ***minimum of 13,500 annual subscriptions*** to the Bulletin Service.

Pricing of Product:

There would be two prices for subscriptions to the Bulletin.

The first price would be for those companies who supply information, of any kind to the Credit Bureau. The price for these companies would be **75 JD per year**.

The price for those companies who do not supply any information to the Credit Bureau would be **125 JD per year**.

In both cases the pricing represents the equivalent of 25 annual inquiries on individual consumers.

Notes:

As noted earlier in the report, the Insurance Database, the Bad Check Database, the Microfinance Institutions Database and the Negative Database would have all their information housed in the same database. A programmer, in each product, would define access to each data set or group of datasets. Search functions would use all of the possible search mechanisms. The Bad Check Database, for example, would only be available to Credit Bureau members who subscribe to the product and the product would be limited to providing with the member inquiring, information in the Bad Check Database. Should a member wish access to more than one of the databases, that function could be easily set up.

Each Credit Bureau member would be charged an Annual Membership Fee, which would allow them the opportunity to subscribe to, any or all of the five products defined above. ***The Annual Membership Fee would be in the range of 50 JD.*** For incentive to join the Bureau, the Membership Fee could be waived in the first year thus there is no estimate of revenue potential. You may want to waive the Annual Membership Fee, in the second year, if the Member is supplying the Credit Bureau with information. Past experience is the waiving of the Annual Membership fee can be effectively used as a marketing tool in the early going and as a result no estimate is made of revenue.

The financials do not factor in any Membership revenues given the flexibility of waiving the fees to attract business. Once they 'kick in' they will be an excellent source of revenue. There are no numbers that could be used to estimate members.

In estimating the annual activity expectations it needs to be understood that the activity expected is in direct relationship to the performance quality of the sales and marketing department in dealing with Members, as well as the quality of the product presented to the Members. The numbers estimated are reasonable based on experience in North America with 'start up' operations as well as the positive reaction of companies interviewed in the April survey.

6-Consumer Credit Information Database when Consumer Credit files have matured to a point when they could be credibly sold to Members of the Credit Bureau. It is also referred to as a ‘full file’.

This Database would be a consolidation of all components of the Insurance Database, Bad Check Database, Microfinance Institutions Database and Negative Database. In addition it would contain positive credit information from the Accounts Receivable Databases of all types of businesses as identified in the Target Market of each of the three initial Database Products. This information would be both historical and current.

It is estimated this Database will take three years develop to maturity, at which time the Information could be offered for sale. A more formal description and detail of the product will be provided as the three-year period approaches. As that time nears, users of Credit Bureau products should be quite familiar with information contained in the Credit Bureau Database and should also have an informed opinion as what to expect with this product. This means this product should be an ‘easy sell’ given the Credit Bureau should have established the reputation of a business that provides a quality database with accurate information being returned to Members who make inquiries.

Annual potential is the same as Bad Check Database or the Negative Database, which is 75% of 175,200, or 131,400 inquiries as a minimum. As the Credit Bureau grows relative to information, as well as Members, the annual number of inquiries will increase. It can be better estimated when the Database is close to maturity and ready for sale to the marketplace.

The combined recommended pricing for the Insurance, Bad Check, Microfinance Institutions and Negative databases, which would form the mature Credit Bureau, would be as follows:

- 1-**12JD** for companies supplying information in an automated format to the Credit Bureau.
- 2-**16JD** for companies supplying information in hard copy to the Credit Bureau.
- 3-**20JD** for companies who do not supply information to the Credit Bureau.

In pricing the mature Consumer Information Database, in all instances noted above you could consider a 25% price reduction based on the fact they would be receiving information from four databases for the price of three databases. In addition they would also be receiving further information on historical and current tradelines which would provide the member with a comprehensive picture of the consumers’ indebtedness, required monthly payments, paying habits and other customized information that would appear in the four databases noted above.

Offering this product would not preclude Members from selecting to continue using any of the Insurance, Bad Check, Microfinance or Negative Database options. Effective

marketing would convert most of the Members to the use of the mature Consumer Information Database. Past history in North America indicates this to be the case.

Future Pricing Strategies

There are several strategies that could be considered to generate business initially and in the future, as the use of Credit Bureau products grows, that could be used to accelerate that growth. In Year 1 of the Credit Bureau it is recommended the only Pricing Strategy to be considered is #1 noted below.

1-New member incentive to use Credit Bureau services.

When new members join the Bureau consideration should be given to offering them a 'free trial period' to make inquiries of the Credit Bureau products. There would be a limit to the number of free inquiries, as well as a time period. This is a 'no risk' for the Member and should prove to the Member that the Credit Bureau products meet their needs. Consideration should even be given to potential large volume members who are undecided about using the Credit Bureau products and it is felt a 'free sampling' of the Credit Bureau products could convince the prospective Member to join the Credit Bureau.

2-Year over year volume increases could attract volume discounts.

A Member in a given calendar year would generate say 5,000 total inquiries of all Credit Bureau databases. In the following year at the point the previous year's volume of 5,000 is surpassed then a price reduction of say, 75%, would commence on all future inquiries for the balance of the calendar year. The 75% reduction would not be retroactive. At the start of the following calendar year regular pricing commences and the price reduction would occur when the previous year's volume was exceeded. As example, in Year 1 of the program the Member generated 5,000 inquiries. In Year 2 the Member generated 6,000 inquiries, so the difference of 1,000 between Year 1 and Year 2 was priced at 75% less than the regular price. In Year 3 the Member generated 6500 inquiries. The difference between 6500 (Year 3) and 6,000 (Year 2) is 500 and those 500 inquiries would be priced at 75% less than the regular price. Future years would follow the same scenario. Companies would be required to consolidate their Branch Offices into one number to qualify for this type of program.

The Member would have regular monthly activity reports provided to keep him aware of his volumes and at what point the price reduction would kick in. This type of discount has proven to be effective provided Sales and Marketing follow the Member to encourage the increased usage. Increased usage revenue is incremental for the Credit Bureau and the Member has the incentive to receive a substantial discount for his increased business.

3-Volume or discounted pricing when inquiries are made over the Internet or via PC with customized Credit Bureau Access software.

This pricing is based on the fact the Member does all the work to access and retrieve the consumer credit file from the database. The automated manner of inquiries means no Credit Bureau employee has to be involved in the requests.

An example of discounts, per inquiry, of the regular retail pricing is as follows:

<u>Monthly inquiry activity</u>	<u>Discount from Retail Price</u>
Less than 100	No discount
100 to 200	5%
201 to 300	10%
301 to 500	15%
501 to 1,000	20%
1,000 or more	25%

4-Special Promotion Days

As a thank you to Members for their business or some other display of appreciation for something the Member has done that benefits the Credit Bureau. Consideration should be given to announcing a day or days when all inquiries for that particular day would be at a substantial discount or even free to the Member. This can be a very effective sales and marketing tool and has proven to be a Member loyalty builder for the Credit Bureau.

5-Promotions in slow periods

In slow periods you could offer inquiry discounts for a defined period based on a certain volume of business.

The key component to the success of the Credit Bureau is information contributed by Members. This being the case, with the exception of the 'free files' noted in the first example above, these price reductions, discounts and special promotion days would only apply to those Members sharing their information with the Credit Bureau. Non-information sharing Members should be made aware of these special programs as an incentive to have them provide their information to the Credit Bureau.

The effectiveness of the Sales and Marketing department will determine the success of these programs.

Other products and services:

The Membership base provides many opportunities to set up services currently being handled by members. Some of the tasks they complete could be ‘outsourced’ to the Credit Bureau. This would allow Members to focus on their core businesses with administrative services handled by the Credit Bureau.

The billing system is already in place for the Credit Bureau. A new product or service would need only be assigned a ‘Product Code’ and ‘Price’ in order for it to be added to monthly billing.

In addition to the ‘offshoot’ product identified under the Insurance Database, Credit Bureaus in North America handle other services for their Members that include: Land title searches, land title registrations, personal property registrations, personal property lien searches, generic credit scoring, landlord reports, batch processing and employment checks among others.

Close contact with clients and being alert for new products and services, by the Sales and Marketing department, will create new business opportunities for the Credit Bureau.

5-Financials

The next section presents the projected financial statements for the Credit Bureau.

The first financial statement you see is the original projection that contains all the expenses expected for five years, broken down by year.

The scenarios that follow the original statement, on page 56, contain only the expense total, given the expenses don't change. The changes represent revenue only.

Scenario #1 represents the 'best case' approach to volumes. Scenario #2 represents the 'reasonable approach'. Scenario #3 represents the 'least reasonable' scenario. All 3 of these scenarios have an inquiry price of 3JD. Scenarios 4, 5 and 6 have a price of 2JD with #4 being the 'best case', #5 is the 'reasonable case'. Scenario #6 is the 'worst case' scenario for the Credit Bureau. It is felt however, based on market response, this last scenario will not occur. The program has been set up to allow other permutations and combinations.

Recommend Scenario #2 as the reasonable approach to the Credit Bureau. This is predicated on Management and Sales and Marketing doing a reasonable job gathering information and selling products to Members of the Credit Bureau.

Capital

The amount of Capital (in Jordanian Dinars) to be spent towards the Credit Bureau shows in the expense projection and is summarized below:

Category	Year 1	Year 2	Year 3	Year 4	Year 5
Office	14,100	2,490	2,490	2,490	2,490
Computer Room	40,100	4,110	4,110	4,110	4,110
Data					
Communications	99,025	25,350	25,350	25,350	25,350
Computer systems & software	235,190	44,535	44,535	44,535	44,535
Total	388,415	76,485	76,485	76,485	76,485

Training

This is summarized in the expenses under 'Consulting Services'

Totals (JD):	Year 1 – 75,925
	Year 2 – 53,148
	Year 3 – 22,778
	Year 4 – 15,185
	Year 5 – 15,185
Total	182,221

Assumptions for Financial Statements

1-Inquiries relative to individual products

In month #10, since commencement of the Credit Bureau, the Insurance Database will be ready for the market. The Bad Check Database and Microfinance Database will be ready in month #12. The Negative Database will be ready in month #14. The Bulletin Service will be ready in month #16. The full and mature consumer credit information database will be ready in month #39.

Exhibit 'H ' shows the detail noted above.

With each of the products the estimates of inquiry activity are annual and broken down by month.

Based on the readiness dates noted above, the annual activity would commence in the month the product is ready for sale.

The recommendation has been made that in the first month of each product's readiness, the inquiries from Members would be no charge. Accordingly the first year's inquiries that would attract revenue, are reduced to 11 months given the 1st month is free to Members.

Therefore inquiries that attract revenue commence in the months shown below and that revenue is reflected in the financial statements.

Product Inquires	Month # inquires attracting revenue (yr. 1 is 11 months)					
		Year 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Comprehensive Ins.	11	66,000	16,000	16,000	4,000	4,000
Accident Claims	11	82,500	90,000	90,000	5,000	5,000
Other Insurance	11	92,400	22,400	22,400	5,600	5,600
Bad Check	13	120,400	131,400	131,400	8,760	8,760
Microfinance	13	20,459	25,081	30,022	1,501	1,881
Negative	15	120,400	131,400	131,400	8,760	8,760
Bulletin Subscriptions	16	2,025	2,700	2,700	2,700	2,760
Full Credit Bureau	39				78,840	131,400

While the expectation is the full credit bureau would consolidate the other products, starting in Year 4, allowance has been made for Members who would probably stay with the single product they use.

Price for all services except Bulletin and Full Credit Bureau is the minimum expected of 3JD per inquiry.

Price of bulletin is the minimum expected - 75JD per year. The Bulletin estimate is very conservative given the amount of work required to handle the potential market volume. Priority will be on other products, however the Bulletin, if successful could generate large JD volumes.

Price of Full Credit Bureau is 75% (9JD) of the 4 products that would make up the database that, sold individually would cost 12JD minimum. 75% is 9JD.

2-Salaries

The Al-Jidara Investment Services Group provided salary ranges.

Position	Monthly Salary Range	Monthly Salary Assigned	Commencement of employment
General Manager	500-1,500	1,500	Month 1
Exec Secretary	150-300	300	Month 1
Development Mgr	350-900	900	Month 3
Programmer	350-900	625	Month 4
Programmer	350-900	625	Month 4
Sales/Mktg.	250-500	500	Month 6
Sales/Mktg.	250-500	500	Month 6
Bonus/Commission for Sales & Marketing		800	Month 6
Operating Person		500	Month 8
Admin. Person	250-500	500	Month 8

Benefit package is equal to 25 % of assigned salary levels. Later in the report there is a more comprehensive discussion relative to Sales and Marketing Remuneration.

Opening Balance Sheet and Balance Sheet at 12 months is shown as Exhibit 'K'

Original Financial Projection.

	Year of Operation				
	1	2	3	4	5
Revenue					
Comprehensive Inquiries	18,000	228,000	48,000	12,000	12,000
Accident Claims Inquiries	22,500	270,000	270,000	15,000	15,000
Other Insurance Inquiries	25,200	319,200	67,200	16,800	16,800
Bad Check Inquiries	0	394,200	394,200	26,280	26,280
Micro Finance Inquiries	0	46,032	56,433	4,503	5,643
Negative Credit Inquiries	0	328,500	394,200	26,280	26,280
Bulletin Service	0	151,875	202,500	202,500	202,500
Full Credit Inquiries	0	0	0	709,560	1,182,600
MemberShips	0	0	0	0	0
Total Revenue	65,700	1,737,807	1,432,533	1,012,923	1,487,103
Expenses					
Office Rent	12,000	12,000	12,000	12,000	12,000
Utilities (Water,Sewer,Electrical)	1,630	1,630	1,630	1,630	1,630
Cleaning Services	1,200	1,200	1,200	1,200	1,200
Accounting Services	3,000	3,000	3,000	3,000	3,000
Legal Services	7,000	7,000	7,000	7,000	7,000
Consulting Services	75,925	53,148	22,778	15,185	15,185
Telephone	3,600	3,600	3,600	3,600	3,600
Security	3,000	300	300	300	300
<u>Office</u>					
Leasehold improvements	9,000	900	900	900	900
Office Furniture	3,900	390	390	390	390
Office Supplies	1,200	1,200	1,200	1,200	1,200
<u>Computer Room</u>					
Construction	7,600	760	760	760	760
UPS and Air Conditioning	33,500	3,350	3,350	3,350	3,350
<u>Data Communications</u>					
Communication Servers	50,900	9,162	9,162	9,162	9,162
Communication Links	6,525	8,700	8,700	8,700	8,700
Security and Authentication	41,600	7,488	7,488	7,488	7,488
<u>Computer Systems and Software</u>					
Database and Other Servers	105,000	17,955	17,955	17,955	17,955
System/Development Software	71,000	12,780	12,780	12,780	12,780
Local Area Network	4,440	0	0	0	0
Office WorkStations	27,000	2,700	2,700	2,700	2,700
Office Systems Software	21,000	2,100	2,100	2,100	2,100
Laser Printer Supplies and Media	6,750	9,000	9,000	9,000	9,000
Salaries and Benefits	67,152	101,581	106,418	111,256	116,093
Marketing, Advertising and Promotions	6,000	6,000	6,000	6,000	6,000
Transportation	2,400	2,400	2,400	2,400	2,400
Bulletin Production Costs (30% of sales)	0	45,563	60,750	60,750	60,750
Total Expenses	572,322	313,907	303,561	300,806	305,643
Net Income before Taxes	(506,622)	1,423,900	1,128,972	712,117	1,181,460
Accumulated Net Income		917,278	2,046,250	2,758,367	3,939,827

Financial Scenarios

Six different scenarios were generated using the **financial.xls** workbook. The first three keep the price of the individual products and 3JD and use a market penetration of 100%, 50% and 25% of the figures from the market analysis.

Financial Scenario #1		Market penetration as per Market Analysis				
		Year of Operation				
		1	2	3	4	5
Revenue						
	Comprehensive Inquiries	18,000	228,000	48,000	12,000	12,000
	Accident Claims Inquiries	22,500	270,000	270,000	15,000	15,000
	Other Insurance Inquiries	25,200	319,200	67,200	16,800	16,800
	Bad Check Inquiries	0	394,200	394,200	26,280	26,280
	Micro Finance Inquiries	0	46,032	56,433	4,503	5,643
	Negative Credit Inquiries	0	328,500	394,200	26,280	26,280
	Bulletin Service	0	151,875	202,500	202,500	202,500
	Full Credit Inquiries	0	0	0	709,560	1,182,600
	MemberShips	0	0	0	0	0
Total Revenue		65,700	1,737,807	1,432,533	1,012,923	1,487,103
Total Expenses		572,322	313,907	303,561	300,806	305,643
Net Income before Taxes		(506,622)	1,423,900	1,128,972	712,117	1,181,460
Accumulated Net Income			917,278	2,046,250	2,758,367	3,939,827

Financial Scenario #2			Market penetration 50% of Market Analysis			
				Year of Operation		
			1	2	3	4
Revenue						
		Comprehensive Inquiries	9,000	114,000	24,000	6,000
		Accident Claims Inquiries	11,250	135,000	135,000	7,500
		Other Insurance Inquiries	12,600	159,600	33,600	8,400
		Bad Check Inquiries	0	197,100	197,100	13,140
		Micro Finance Inquiries	0	23,016	28,217	2,252
		Negative Credit Inquiries	0	164,250	197,100	13,140
		Bulletin Service	0	75,938	101,250	101,250
		Full Credit Inquiries	0	0	0	354,780
		MemberShips	0	0	0	0
Total Revenue			32,850	868,904	716,267	506,462
Total Expenses			572,322	313,907	303,561	300,806
Net Income before Taxes			(539,472)	554,997	412,706	205,656
Accumulated Net Income				15,525	428,230	633,886

Financial Scenario #3			Market penetration 25% of Market Analysis				
				Year of Operation			
			1	2	3	4	5
Revenue							
		Comprehensive Inquiries	4,500	57,000	12,000	3,000	3,000
		Accident Claims Inquiries	5,625	67,500	67,500	3,750	3,750
		Other Insurance Inquiries	6,300	79,800	16,800	4,200	4,200
		Bad Check Inquiries	0	98,550	98,550	6,570	6,570
		Micro Finance Inquiries	0	11,508	14,108	1,126	1,411
		Negative Credit Inquiries	0	82,125	98,550	6,570	6,570
		Bulletin Service	0	37,969	50,625	50,625	50,625
		Full Credit Inquiries	0	0	0	177,390	295,650
		MemberShips	0	0	0	0	0
Total Revenue			16,425	434,452	358,133	253,231	371,776
Total Expenses			572,322	313,907	303,561	300,806	305,643
Net Income before Taxes			(555,897)	120,545	54,572	(47,575)	66,133
Accumulated Net Income				(435,352)	(380,780)	(428,355)	(362,223)

The second set of three scenarios reduces the unit price to 2JD and uses the same market penetration values as the first set.

Financial Scenario #4		Market penetration as per Market Analysis at Unit Price 2JD				
		Year of Operation				
		1	2	3	4	5
Revenue						
	Comprehensive Inquiries	12,000	152,000	32,000	8,000	8,000
	Accident Claims Inquiries	15,000	180,000	180,000	10,000	10,000
	Other Insurance Inquiries	16,800	212,800	44,800	11,200	11,200
	Bad Check Inquiries	0	262,800	262,800	17,520	17,520
	Micro Finance Inquiries	0	30,688	37,622	3,002	3,762
	Negative Credit Inquiries	0	219,000	262,800	17,520	17,520
	Bulletin Service	0	151,875	202,500	202,500	202,500
	Full Credit Inquiries	0	0	0	709,560	1,182,600
	MemberShips	0	0	0	0	0
Total Revenue		43,800	1,209,163	1,022,522	979,302	1,453,102
Total Expenses		572,322	313,907	303,561	300,806	305,643
Net Income before Taxes		(528,522)	895,256	718,961	678,496	1,147,459
Accumulated Net Income			366,734	1,085,695	1,764,191	2,911,650

Financial Scenario #5		Market penetration 50% of Market Analysis and Unit Price 2JD				
		Year of Operation				
		1	2	3	4	5
Revenue						
	Comprehensive Inquiries	6,000	76,000	16,000	4,000	4,000
	Accident Claims Inquiries	7,500	90,000	90,000	5,000	5,000
	Other Insurance Inquiries	8,400	106,400	22,400	5,600	5,600
	Bad Check Inquiries	0	131,400	131,400	8,760	8,760
	Micro Finance Inquiries	0	15,344	18,811	1,501	1,881
	Negative Credit Inquiries	0	109,500	131,400	8,760	8,760
	Bulletin Service	0	75,938	101,250	101,250	101,250
	Full Credit Inquiries	0	0	0	354,780	591,300
	MemberShips	0	0	0	0	0
Total Revenue		21,900	604,582	511,261	489,651	726,551
Total Expenses		572,322	313,907	303,561	300,806	305,643
Net Income before Taxes		(550,422)	290,675	207,700	188,845	420,908
Accumulated Net Income			(259,748)	(52,048)	136,798	557,706

Financial Scenario #6			Market penetration 25% of Market Analysis and Unit Price 2JD				
			Year of Operation				
			1	2	3	4	5
Revenue							
	Comprehensive Inquiries		3,000	38,000	8,000	2,000	2,000
	Accident Claims Inquiries		3,750	45,000	45,000	2,500	2,500
	Other Insurance Inquiries		4,200	53,200	11,200	2,800	2,800
	Bad Check Inquiries		0	65,700	65,700	4,380	4,380
	Micro Finance Inquiries		0	7,672	9,406	751	941
	Negative Credit Inquiries		0	54,750	65,700	4,380	4,380
	Bulletin Service		0	37,969	50,625	50,625	50,625
	Full Credit Inquiries		0	0	0	177,390	295,650
	MemberShips		0	0	0	0	0
Total Revenue			10,950	302,291	255,631	244,826	363,276
Total Expenses			572,322	313,907	303,561	300,806	305,643
Net Income before Taxes			(561,372)	(11,616)	(47,931)	(55,981)	57,633
Accumulated Net Income				(572,988)	(620,919)	(676,899)	(619,267)

6-Sales and Marketing Remuneration

The Sales and Marketing Department are critical to the success of the Credit Bureau for two primary reasons. First is the gathering of information critical to the Database. Secondly, to successfully sell the products and services of the Credit Bureau.

Experience has shown that a large portion of the remuneration for the Sales and Marketing personnel should be commissions, or bonuses or both.

It was determined that, in Jordan, sales and marketing personnel are paid along the lines of 60% salary and 40% commission. There is a budget of 500 JD per month along with potential to earn 400 JD per month in commission and bonus. This income will attract university graduates with strong people skills related to their personalities, just what is needed to ensure success in selling Members on supplying their information and using Credit Bureau services.

Commissions/Bonuses should be tied to goals set in each Phase of the Sales and Marketing campaign as outlined in that section of the report.

Phases 1 and 2 are focused on information procurement for the Database. As a result the emphasis is on that focus. A recommended bonus program for automated information is:

Size of Member Information	Bonus
-----	-----
Less than 10,000 records	75 JD
10,001-50,000 records	100 JD
50,0001-100,000 records	150 JD
Greater than 100,000 records	200 JD
Achievement of a particular month's goal related to gathering of information.	100 JD

Manual (hard copy) information does not attract a bonus given the cost of placing the information in the Database. While not attracting a bonus, the manual information does improve the quality of the database and makes it a better product for sales and marketing to sell.

When it comes time to sell the Credit Bureau products in Phase 3, commission should be used as an incentive to sell these products.

Commission should be reflected for JD sales in the first three months a new member is added. This time limitation is a window for the sales and marketing staff to maximize the Member's activity to achieve maximum commission for the sales and marketing staff.

After a full year, in addition to the commission noted above for new members, set annual goals for each Sales and Marketing person. When the goals have been surpassed pay a percentage of sales over the goal to the individual sales and marketing person who has exceeded their goal. Amounts over the goal will normally be incremental business that flows directly to the bottom line, less the commission paid to Sales and Marketing.

7-Legal

It will be necessary to involve a local Jordanian Law Firm to design and draft various legal agreements that will be necessary in the operation of a Credit Bureau. In completing these agreements, it is recommended that a foreign partner or foreign consultant be used to provide guidance based on their experience in the Consumer Credit Reporting industry. It is recommended that one week should be budgeted for the consultant.

Initially the business should be incorporated in one of the suggested formats as noted in the 'Ownership' section of this report.

Additional agreements needed and their purposes are as follows:

1-Membership Agreement. This agreement outlines responsibilities of both the Member and the Credit Bureau as it relates to access to consumer information via the Credit Bureau. It outlines what the Member can do with the information, member responsibilities in providing information, member responsibilities in providing a vehicle to address errors in transmission of information to the Credit Bureau, member adherence to legislation that would govern Credit Bureau information and Member responsibility for payment of invoices. The Bureau's responsibilities outlined would include preparation and accuracy of information and access to that information. (Sample attached as Exhibit 'J')

2-Agreement for Transmission of Information (Tape Agreement). This agreement outlines responsibilities on both the Credit Bureau and the Member for information provided by the Member. Included are frequency of transmission, format in which the information is sent and quality control features relative to accuracy and remedies to correct faulty information. (Sample attached as Exhibit 'G')

3-Contracts that relate to sales and marketing agreements with clients around purchase of products and services of the Credit Bureau including price, term and special discounts.

4-Employee contracts. It is recommended that General Manager, System Development Manager and the Manager of Sales and Marketing all have contracts that outline their responsibilities, term of employment, and options at end of contract. It has been suggested Senior Management of the Credit Bureau have 'stock options' as an incentive for quality performance. Accordingly information relative to stock options should form part of the contract. That information would include 'option price', date the 'option price' could be exercised and conditions around exercising of any stock options.

5-Sales and Marketing Contracts. It has been recommended that, in keeping with local Jordanian practices, that a up to 40% of remuneration should be in the form of commissions, bonuses or both. The agreed upon percentage as well as a formula to arrive at the percentage should be included in the contract.

8-Training/Consulting for Jordan Credit Bureau

The following training would be required and should be contracted out to a foreign partner or individuals who have experience in the building of Credit Bureau databases; the ongoing operation and upgrading of a Credit Bureau database; the operation of a Credit Bureau Sales and Marketing department; the handling of information transmission to a Credit Bureau; the handling of Credit Bureau Members and the management of a Credit Bureau.

Sales and Marketing:

- 1-Techniques in gathering information for a Credit Bureau.
- 2-Techniques in selling products and services of a Credit Bureau.
- 3-Techniques in maximizing Member use of products and services.
- 4-Development of marketing materials for a Credit Bureau.
- 5-Development of call reports, follow up systems and sales and marketing reports relative to sales of products and services of a Credit Bureau to its Members.
- 6-Instruction on the interpretation and use of marketing reports relative to sales of products and services of a Credit Bureau to its Members.
- 7-Techniques in locating potential Members for the Credit Bureau.
- 8-Conducting of role-playing to assist in the success of #1, #2 and #3 above.
- 9-Techniques in teaching Members the correct input information to obtain a file.

Operations:

- 1-Develop processes for the investigation, set up and activation of Credit Bureau Members who would both provide information and use products and services of the Credit Bureau.
- 2-Develop processes for accepting both automated and hard copy information, recording that information, loading the information to the database and returning the information to the Member supplier.
- 3-Develop processes for handling information that could not be placed on a Credit Bureau database for any number of reasons.
- 4-Develop standards for the loading of information to the Credit Bureau database relative to what is acceptable and what is not acceptable relative to formatting and content and how to identify acceptability.
- 5-Develop processes for identification and correction of errors relative to information that appears on any Credit Bureau products or services.
- 6-Develop processes for follow up of information after frequency of transmission has been established.
- 7-Develop instructions for Members relative to accessing the Credit Bureau system to obtain products and services.

Management:

1-Develop management reports for: monitoring of business activity, effectiveness of sales and marketing department, quality of databases, timeliness of information on databases, efficiency of Credit Bureau system, P and L for Credit Bureau, task lists for Credit Bureau development and strategy for success of Credit Bureau.

2-Indoctrination relative to Credit Bureaus and the providing of expertise to management based on experience in building and managing of Credit Bureaus.

Technical:

1-Provide assistance and direction during the preparation of the detailed system design.

2-Provide assistance with the selection of systems and software required for the development.

General:

1-Develop a training video, at an existing Credit Bureau, that gives an overview of a live Credit Bureau's various components to assist in a better understanding of the Credit Bureau operation and functions.

2-Develop specific job descriptions for each employee of the Credit Bureau that would include primary responsibility for tasks and assigned back up for those tasks.

3-Develop organizational charts for all departments of Credit Bureau.

In Year 1 the estimated cost of the training is 75,925 JD. Year 2 the cost drops to 53,148 JD, Year 3 the cost is 22,778 JD, Year 4 the cost is 15,185 JD and Year 5 the cost is 15,185 JD

Year 1 is a hands on approach which would require visits to Jordan as noted in Exhibit “”. Year 2 would include further visits for the first six months or until the original five products, identified in the Sales and Marketing plan, have been released to the marketplace. Subsequent communication would be via e-mail and telephone.

Years 3, 4 and 5 are primarily on a consultive basis to provide expertise and recommendations on the status of the Credit Bureau relative to its current status and future growth and expansion.

Contract for Training/Consultative Expertise:

Recommend that a contract be signed with the foreign partner or foreign consultant that will be engaged to provide this service. Specific time lines should be noted in the contract. A component of the contract would include a retainer that would make the engaged party available via e-mail or telephone within twenty-four hours to provide guidance and direction via e-mail or telephone.

Estimates for Foreign Consultants					
Consultation & Training			Total		Living
Marketing	Legal	Technical	Days	Travel	Expenses
10			10	1	14
	5		5		7
		5	5	2	7
		10	10		
		10	10	1	14
10			10	1	14
		5	5		
		5	5		
5			5	1	7
			0		
5			5		
30			70	6	63
21,450			50,050	18,000	7,875

Consultant Charges (estimated)

Daily Per Diem	715
Travel Costs per Trip	3,000
Living Expenses per Day	125

9-Technical Summary

From a technical perspective, the main conclusion is that the development of a Jordanian Credit Bureau is feasible provided the data sources, identified in the original assessment, make their information available. Jordan has the technical infrastructure and the development expertise, with-in the country, required to undertake this project. This conclusion is based upon:

- A series of interviews conducted with potential data sources and clients, two development groups, and a telecommunications specialist.
- The review of research prepared from questions posed in a series of memos prior to arrival in Jordan plus information gather from the interviews. This research included the structure of both names and addresses, the potential volume of data and content of the various data sources.
- A review of communications facilities, hardware and software that is available in Jordan.

Two secondary recommendations that have come out of this work are:

- The credit report database should be developed in **Arabic**. The ambiguities that can take place when Arabic is translated into English could make the development of the search logic more difficult.
- Rather than try to support a wide variety of communication protocols, TCP/IP should be selected as the only supported protocol. It is fast becoming the standard communication protocol for almost all computer systems and most communication infrastructures support the use of TCP/IP.

Although a foreign technical resource would not be absolute requirement it would be recommended. Foreign consultants with the appropriate experience would help to focus the design and development effort on the primary areas of concerns. The appropriate foreign consultants will have participated in the development and implementation of at least one credit reporting system similar in size and scope to the one proposed for Jordan. They should provide direction on the overall structure to the system and its operation. From their experiences, development choices that have proved problematic in past can be avoided.

To our knowledge, the credit reporting systems in operation today are based upon custom developed solutions. Although some application areas such as accounting may use off-the-shelf software, the differences in demographic information and language between regions of the globe has made the development of an off-the-shelf credit reporting package almost impossible. In Jordan the expectation is that system will be a custom developed solution.

While there may be an opportunity to develop a credit reporting system that could be exported to other Arab communities in the area, the focus should be on developing a product that works in Jordan first.

The remainder of the technical section focuses on a possible infrastructure for the Credit Bureau operation and a general outline of the software components of the system. The approach taken has been to select the components that provide maximum performance, scalability and fault tolerance. The approach will probably not be the least cost option available.

Any implementation of the infrastructure discussed could probably be implemented in phases beginning with system design and development through to initial database loading, a pilot project, and full operation.

A simple diagram of the computer hardware, local area network configuration and the communication equipment required can be found in Exhibit 'I'.

10-Infrastructure

Computer Room:

With the decreasing size of data processing and communication equipment only a small area would be required for the credit bureau system, a space of between 10 and 36 metres square. For a computer room that provides a consistent environment, a stable source of electrical power and physical security for the equipment and data communications, the following should be included:

- 1) Fire rated walls that go to roof deck of the building if possible.
- 2) Dropped ceiling with fire rated ceiling tiles and energy efficient lighting system
- 3) If possible the room should not have any outside windows. Outside windows should be sealed.
- 4) Computer room door should be fire rated with access restricted to authorized users via keypad or card access security system.
- 5) Raised floor with integrated electrical distribution and cable organization system
- 6) Adequate fire extinguishers and fire detection system.
- 7) Dual air conditioning systems with automatic fail over and an integrated environmental control to manage the systems. The fail over function would bring the second unit on-line in the event of a primary system failure or increased cooling loads.
- 8) Un-interruptible power system (UPS) that conditions all of the power to the computer room. If an auxiliary power source is available, the UPS would need 10-15 minute power reserve otherwise up to 30 minutes should be the minimum to allow for an orderly shutdown of the database servers.
- 9) Auxiliary power source capable for generating adequate power for the computer room and one of the air conditioners.

During the development and pilot phases of the project, a computer room with all of the features listed above would probably not be essential. Most computer and communication systems will function adequately in a normal office environment. However once clients begin to access the system, it would be important to implement those features that provide the maximum fault tolerable operation.

Communications :

Before any business can be transacted, clients have to be able to communicate with the Credit Bureau. The following communication options are based upon interviews with two individuals conversant with data communications in Jordan. It is recommended that the Bureau standardize on the TCP/IP communication protocol. TCP/IP is beginning to displace traditional communication protocols and is available on almost all systems. Implementing this decision should not limit access to the Bureau

The anticipation is that initial access to the Credit Bureau will be **dial-up** access. The communications server selected should handle both asynchronous and ISDN access. A single ISDN link with the Jordan Telephone Company should provide adequate communication bandwidth for clients.

Large volume clients may decide to use **leased** lines for increased performance. For these clients, the first choice would be to have them provide their own equipment for both ends of their line. This would give them complete control over the configuration and security of the line.

The other option for leased lines would be for the bureau to install a router with the appropriate interface cards. While this would eliminate any client equipment on site at the bureau, the bureau does become jointly responsible for the configuration and security of the client's line.

Security and Authentication:

Once the Bureau has provided the means to access the system, the access has to be protected for au-authorized use. Because TCP/IP is the protocol of the Internet, it is more susceptible to attacks by hackers. Even though there will be no access via the Internet, all communications will be routed through an advanced "stateful" **firewall**. This firewall will insure that only transactions specified by the firewall's rules will be permitted.

Before a client with a valid transaction is permitted through the firewall, the Bureau's **authentication server** must identify the client. It is recommended that a user name and password be minimum identification required. Clients using dial-up access might also be authenticated using call-line identification (CLID).

Client Access:

Once clients have been authenticated, it is recommended that they be connected to a **product delivery server** installed in what is called the DMZ (Demilitarized Zone). A DMZ is a separate network connected only to the firewall.

Clients will transmit their requests to product server. In turn the product server will connect to the database server, through the firewall, to fulfill the request. Using a DMZ, clients will never have direct access to the internal network of the Bureau.

Database Server(s):

It is recommended that from the beginning of development that the database server be implemented as a dual system with one primary server and a secondary server shadowing the primary. Although this will increase the initial costs, it will mean that all of the design, development and procedures will have redundancy as a basic principle of operation.

The backup strategy should be considered an integral part of the database operations. Whether the backup equipment is installed on the database servers or another internal server, automated backup procedures should be established to insure that all of the Bureau's databases are backed up each day. DDS (Digital Data Storage) devices are the most common backup devices available in Jordan. However if possible, a DLT (Digital Linear Tape) device would be preferable because the media has significantly higher capacity and reliability.

As the credit bureau system matures, it will become important to be able to access data from different time periods. These archives will be used as data sources for the development and testing of new products. They can also be used to provide "what-if" analysis on portfolios for both existing and potential new clients.

A separate development and test database server should be acquired once the creation of the production database with "live" data has started. The development server should be sized to handle the entire production database so that backup of the "live" database can be used to test the effect of any major changes to any part of the system.

Internal Network :

The remainder of the hardware required consists of the following:

- 1) One (1) management workstation that will be used to configure and monitor the operation of the overall system. During the initial stages it would be used as an additional development workstation.
- 2) One (1) data acquisition workstation to manage processing of client information. Although this task could be allocated to another workstation, the separation of this function on its own workstation may be more efficient, especially as the amount of data being processed increases.
- 3) One (1) accounting workstation for all of the accounting software.
- 4) Two (2) maintenance workstations that will be used to perform the manual database maintenance and customer and consumer relations activity .
- 5) Two (2) development workstations.
- 6) Two (2) laser printers to be shared by all of the workstations listed.
- 7) Optional e-mail and Internet server. The product delivery server would probably support both of these functions initially but for security purposes it would be advisable to have a separate server eventually.

11-System Development

It is estimated that the design, development, and implementation of a credit reporting system will take eighteen (18) man-months. This estimate is based upon the basic functions that are outlined in this section. With a staff of three (3) developers, it should be possible to bring the first product to market in six (6) months.

There are two basic recommendations regarding the development of the system

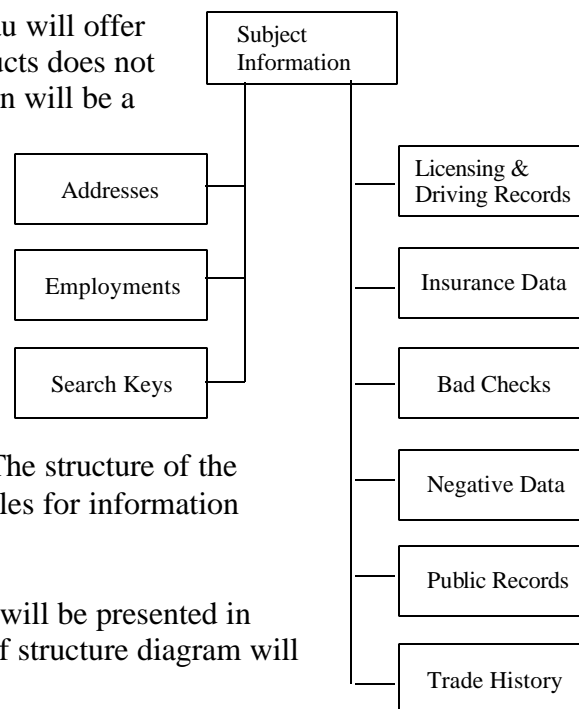
- The credit report database should be developed in **Arabic**. The ambiguities that can happen when Arabic is translated into English could make the development of the search logic more difficult.
- Where feasible, all dial-up bureau access should be "Internet browser based. The development of custom PC software for bureau access brings with it the issues of distribution, support and maintenance. The bureau does not have any control over what applications and hardware are installed on their clients' PCs. Experience has shown that the support of this type of software is very time consuming. All PCs sold now come with at least one Internet browser and the necessary dial-up access software. The only thing the bureau staff will have to do is set the member up, provide the access numbers and training on how their browser used to access the bureau's database.

Database Structure:

The market analysis has indicated that the bureau will offer several different products. Having several products does not mean several databases. An identification section will be a common requirement for each product. The overall structure of the credit reporting database could be similar to that pictured on the right. There common identification tables would include the subject's name, National ID number, birth date, passport number, addresses, employments and search keys.

Separate tables will be created for each type of information to be managed by the database. The structure of the database should support the addition of new tables for information required by products not yet envisioned.

The basic functions of the credit bureau system will be presented in order that data flows through the system. A brief structure diagram will accompany each description.



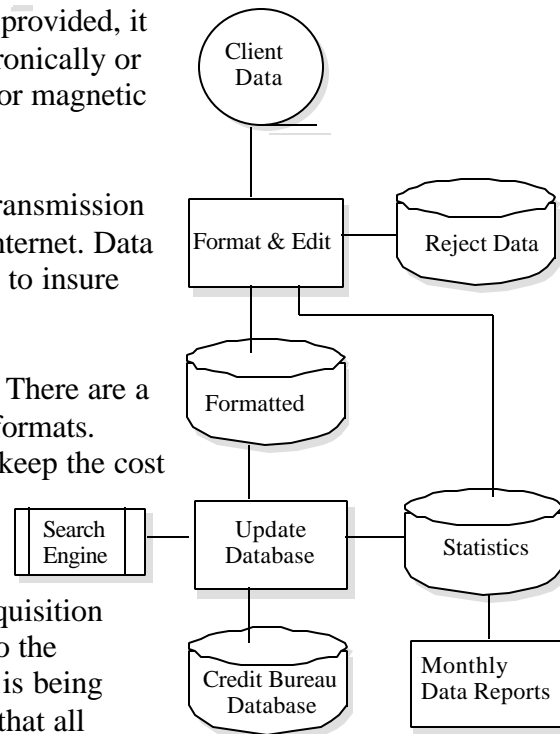
Data Acquisition:

Depending upon the volume of data to be provided, it may be transmitted to the credit bureau electronically or shipped on media such as CDs, diskettes, or magnetic tape.

The preferred method will be electronic transmission via dial-up access, leased line or via the Internet. Data provided by the Internet will be encrypted to insure the security of the information.

The preferred media for data will be CDs. There are a wide variety of magnetic tape media and formats. Standardizing on one or two formats will keep the cost down.

Once data has been received from the client, it will be transferred to the data acquisition workstation where it will be converted into the bureau's internal processing format. As it is being reformatted, the data is checked to insure that all required fields have been provided and that there is valid information in each field. Output from this step will be a file containing the reformatted clients data, a reject file contain all records with errors and statistics to track the data provided.



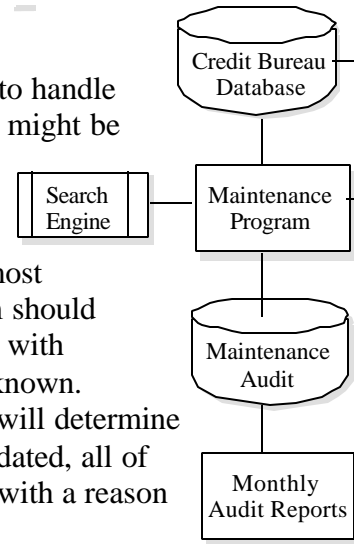
The formatted data will be posted to the credit reporting database using the search engine to locate the proper subject. The system could update an existing piece of information, add a new record to an existing credit file or create a new credit file from the client's database. Additional statistics indicating how the clients' information has been processed will be added to the data acquisition statistics. At the end of the monthly the statistical information will be used to track the progress of building the database. Individual reports would be generated for each contributor for data quality feedback.

Although members should be encouraged to provide data electronically or on computer media, it may be necessary to process information that can only be supplied manually. A manual input function will be required for data entry staff to process this information. Each submission of data will be loaded into a single file where it will be processed by the data acquisition system. The manual input routine will perform all of the necessary data edits and output the information in the internal processing format.

Database Maintenance :

Although the majority of the database updating will be performed by the data acquisition functions, there will always be a need for manual maintenance of the credit reporting database. This could include finding and viewing the contents of a credit file or fixing information that has been supplied incorrectly by a data supplier in response to a consumer inquiry.

Initially a single maintenance program should be sufficient to handle both functions. Depending upon government regulations, it might be necessary to create a separate consumer relations function to meet those reporting requirements.



The maintenance program would use the search engine in most situations to locate the credit file. The maintenance program should implement a number of direct index search methods to deal with situations where the exact identification information is not known. When the credit file is located, the operator's security level will determine which information can be displayed. As the credit file is updated, all of the changes will be posted to the audit area of the database with a reason code for the changes.

At the end of month or as required, reports on the volume and type of changes will be prepared.

Product Delivery :

Once the database is available for access, the next step is to distribute the various products to the bureau's customers. The traditional distribution channels for credit reporting products have been:

- **Operator handled calls :** Where the client calls in to an operator who searches the database for the subject's credit file. The information is either given back verbally or faxed to the client. This is a labour intensive channel that would only be implemented if there were a significant number of clients with no PC access. With the availability of data communications in Jordan, there is no persuasive case for implementing operator handled calls.
- **On-line access to the database:** Where the client interacts with the database directly. Large volume clients typically implement **system-to-system** access. The client's system is connected to the bureau via a high speed leased line. The entire interaction with the credit bureau is performed by the client's system. Clients with lower volumes use PC based software to access the bureau via **dial-up** access. These programs were developed to minimize communications costs. Requests are input and edited by the software off-line. The program then dials the bureau, transmits each request and saves

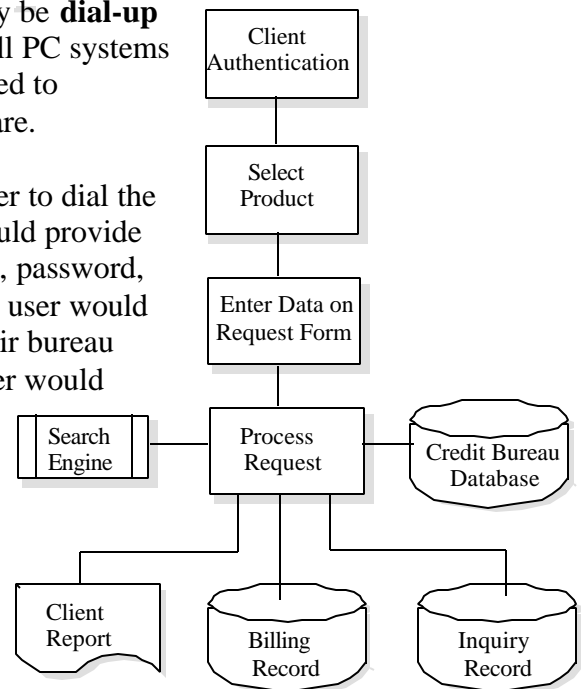
the report. When the requests have been processed, the PC disconnects and prints the saved reports. In Jordan on-line access should be the primary means of access to the credit bureau. For dial-up access, the recommendation is to provide access to the credit bureau via an "Internet" browser and not to develop PC software.

- **Batch access:** Provides clients with a cost effective means of processing large volumes of requests. Requests delivered to the bureau via tape, CD, or electronically are processed off-hours with a turn-around of 24 hours to 5 days depending upon the volume. This access method should also be offered in Jordan.

The first bureau access to be offered should probably be **dial-up** making use of the "internet browser", available on all PC systems today, to submit the requests. This eliminates the need to develop, distribute, maintain, and support PC software.

The client would only need to configure their browser to dial the bureau. Once connected to the bureau, the client would provide the necessary authentication information (user name, password, etc) to validate their access to the credit bureau. The user would be given a choice of product options based upon their bureau membership. When an option is selected, the browser would display the appropriate input form.

After the required information has been entered, the system would use the search engine to locate the correct file. The contents of the credit file would be formatted according to the product select and transmitted to the browser for display and print out. The system would generate a billing to record the request and post an inquiry to the database. Depending upon the service, a new file may be created by the request process if it is unable to locate the individual.



Both system-to-system and batch access should be included in the design of the credit reporting system. A specification document should be created for distribution to potential clients. Development can be postponed until there is sufficient demand for either access.

A common request processing module available to all access methods will shorten development times and minimize system maintenance.

The product delivery sub-system will not directly create the credit bureau bulletin. It will extract information from the database required to prepare the bulletin. The information will be output a data file in a format acceptable to the page layout software selected to prepare the bulletin.

12-Accounting

Rather than develop a custom accounts receivables system for the Bureau, the recommendation is to purchase an off-the-shelf package that will:

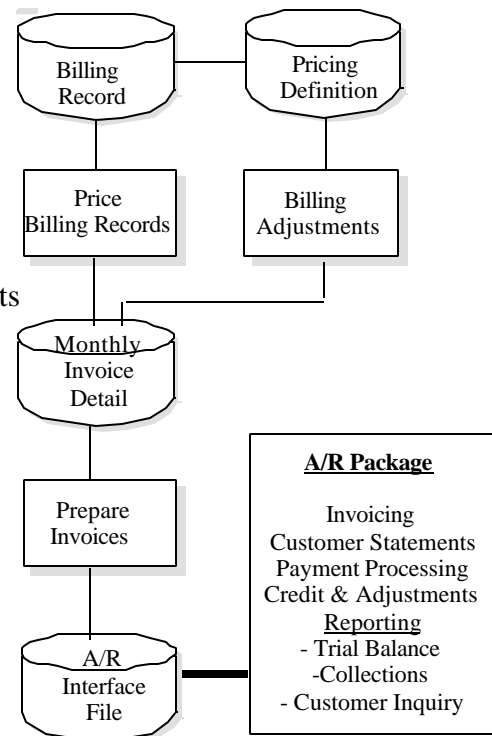
- Produce invoices and monthly statements
- Process payments.
- Process credits and adjustments
- Produce standard reports such as Trial Balance, Overdue Accounts, etc

What these packages will probably not handle is the pricing of the billing records. For this reason a member validation and pricing module will be developed. Pricing will be based upon the type of member and service requested. Options for tiered pricing, volume discounts and special pricing should be provided.

Each day, the pricing system will process the billing records created by product delivery modules. The "priced" records will be posted to the monthly invoice file. During the month, a billing adjustments module will allow the accounting staff to make corrections in a member's billing.

At month-end all of the priced records and adjustments will be combined into a single invoice, for each member, that is passed to the accounting package for the normal Accounts receivable processing. Invoices and statements would be printed and the monthly management reports would be prepared.

Depending upon the features of the A/R package, it may also produce the various sales reports. If this is not a feature of the package, a sales reporting file would have to be added to the system to track the sales performance of the Bureau and prepare the marketing required reports.



13-Customer and Consumer Relations

Systems to manage these activities will basically be tracking functions. When members have problems accessing the system or understanding the information provided, it is important to keep track of the nature of the problem and how it was resolved. Continuing problems could indicate training problems, a data quality issue with one or more the data suppliers, or a software problem in the system. In each situation, the information gathered can be used to resolve the problem. Tracking the time that it takes to complete a call can be used to improve the customer relations operation.

This is the same situation with consumer relations. Each time a consumer relations call is taken, the reason for the call, the details of the problems and the eventual outcome of the call would be recorded. The analysis of this information might indicate search engine problems, data quality issues or other software problems. The reporting requirements of a "consumer reporting act" might define additional information that would be tracked by the system to meet these requirements. The development of the consumer relations function might be deferred until the credit reporting products, requiring explicit consent, were implemented.

The sophistication of customer and consumer relations systems will be a management decision that will determine development resources to be allocated. The design of the system should allow for distinct functions. Initially both functions could be considered a part of the database maintenance. The products to be offered initially by the Bureau may not require explicit consumer consent. In this situation, the development of a consumer relations function may be deferred.

14-Development Plan

Based upon the overall description of the system requirements just presented, a tentative plan for the development of this system is presented below. This plan assumes that the infrastructure necessary to begin development will be available when required.

Detailed Design:

This phase will define the architecture of the credit reporting database, the supporting sub-systems, the interfaces between the sub-systems, the security policies and all of the functions that will be a part of the operational startup. Although some of the design will have to take into account the hardware and software platforms to be used, it should be as independent of these as possible.

It is important at this stage not to be too rigid in the design. Things change and it is important that when an initial assumption or choice ends up being incorrect, the system can withstand and adapt.

The credit bureau database will be designed to provide credit reporting, insurance industry reports and bad check services. It is estimated that the credit reporting system will take up to three years to mature. At start-up the Bureau will be offering insurance and bad checks reports. The previous study indicated, in general, what information might be available to the credit bureau. Although it would be possible to make assumptions about the details of this information, the recommendation would be to obtain or create a detailed file specification for each possible source of data. Decisions on the type and size of fields will be significantly easier with this information.

This design can not be carried out in isolation. The product delivery system will be a collaborative effort between the technical, marketing and potential customers. Without the participation from potential clients, it is difficult to come out with products that they will use.

The output from this phase will be:

- Detailed database design for credit reporting database and supporting databases, tables and files.
- Definition of each product to be offered which would define access requirements and content of the report provided.
- Data acquisition document that details the preferred format for all data submitted to the credit bureau.
- Preliminary specifications for both dial-up access and system-to-system access.
- For each sub-system or system "engine" the following:
 - Detailed specifications of the interface to the sub-system
 - Preliminary layouts for all input screen and report layouts required.
 - Functional description and/or system flow for each function within.

During the design phase, it will be extremely helpful if samples of actual data were available from each potential data source. This is invaluable at the design stage because it is common to find that the content of a field has been adjusted or modified manually to overcome a deficiency or problem in the supplier's system.

The detailed design will provide a more accurate estimate of the capacities of the systems and networks required by the credit bureau system.

A survey of potential Accounts Receivable packages should be started. The goal is to end up with 2 or 3 choice possible choices based upon the requirements described in the **accounting** section of the system development.

The estimated time to complete the design phase is three (3) man-months requiring network planning, database design, and system design skills. This estimate includes marketing input to determine the content of each potential product offered.

Development:

Once the detailed designed has been completed and agreed to by the various stakeholders and depending upon the resources available, development could get started on most of the sub-systems at the same time. Where one sub-system interacts with another, a basic interface simulation will be created for test purpose until the other sub-system is available.

The single most important piece of software to be developed is the "search engine". It forms the basis of the data acquisition and product delivery system. In order to develop the search algorithms, "real" data is required. For the credit bureau in Jordan, the government sources of data would be the most comprehensive if we assume that these sources have information on the majority of individuals in Jordan.

Data from "Ministry of Interior-Civil Services Department" and the driving information from "Public Security Directorate" will be essential to develop and test the search algorithms. Data from at least one potential member would be also be valuable for this development.

The first step would be to load all of the data from one source. The number of files created compared to the number of records supplied would begin to establish how well the algorithms differentiate individuals. For testing only portions of the file would have to be loaded. The sections selected should contain the more common names.

After the data from the first source was loaded, data from the second source would be loaded to the database. The number of new files created as the second source is processed would begin to determine if search is exhaustive enough to locate the correct subject.

Data from other sources would be loaded to make sure the search algorithms are not biased towards one source of data. The analysis of the results of each test will be time consuming and tedious. As the tests progress ahead a set of baseline test cases will be accumulated.

The baseline set will not only include cases that have caused problems with previous tests but also a sample of cases where the outcome is certain. The baseline set will become an important resource since it is impossible to design a test scheme that will cover all possible situations. As Bureau activity increases, members will uncover problems that were not anticipated. Since the results of the baseline set will be known, changes can be tested to insure that they do not cause new problems. Any cases that generate new problems will be added to the baseline set.

Once the search engine has meet the its design targets for hit rate and file fragmentation, it will be audited for accuracy. Once the audit has been completed, the acquisition of data from all sources can escalated and the creation of the production database started. Performance results from the search tests should provide a reasonable indication of when the database will be available for the initial pilot project.

While the production database is being built, unit testing of each sub-system and overall system testing will continue using the databases created during testing. A permanent test database will have to be created to allow members to test their to access the Bureau. Members may establish their own baseline test sets in this database for testing changes that they make to their systems. This is especially true of any automated interface such as system-to-system.

The estimated work effort for the design and development phase is summarized in the table below.

Software Development Schedule	Estimate (man months)
System Design	3.0
Data Acquisition	5.5
Data Base Maintenance	2.0
Product Delivery (Introductory products only)	3.0
Accounting	2.5
Customer and Consumer Relations	0.5
Unit and Systems testing	1.0
Pilot Project Planning	0.5
Total Requirements	18.0

Pilot Project:

Although going through a pilot project will be time consuming, it does provide the opportunity to test the entire system with people and systems that were not involved in the development. Not only does will this test the system but the policies, procedures and training.

The pilot project for the credit bureau should involve at least two or three customers who between them will use the products initially offered by the bureau. The pilot should run for at least two weeks.

Everything generated by the system during the pilot period has to checked and verified for accuracy and completeness. A list of the problems, questions and concerns should be compiled as the pilot project runs. Only problems that render the system inaccessible to the member should be fixed before the end of the pilot.

At the end of the pilot project, all of the problems, questions and concerns should be discussed by all of the participants. This will rank the importance of each item and set a time line for its resolution. This review should be completed with-in two weeks of the end of the pilot. Once completed, the Bureau should be able to establish an "operational" start date.

A pilot project should be setup for the introduction of all new products to the market.

15-Financial Spreadsheet Program

The Excel © workbook **financials.xls** was created to provide a reader of this document the means to generate different revenue and cost scenarios and determine the financial outcome of each one. Each outcome will be based upon the underlying assumptions and calculations in each spreadsheet. Please note that all of the figures in the workbook are in Jordanian dollars (JD).

All of the spreadsheets in the workbook have been protected to prevent accidental changes in the content. No password has been assigned to the protection so that changes could be made if necessary. All fields in **RED**, with exception of the income statement, are the only fields that can be changed.

The workbook is made up of seven (7) spreadsheets that contain the following information:

- 1) Income Statement. Summarizes revenue and expenses from other sheets.
- 2) Compensation. Estimated salary and consultant expenses.
- 3) Consultants. Details of the consultants cost summarized on the compensation sheet.
- 4) Computer Room. Estimated cost for computer room construction and environment.
- 5) Computer Systems. Estimated cost of all hardware and software.
- 6) Other Expenses. All other anticipated expenses.
- 7) Revenue. Income based upon mix of products offered by the credit bureau.

The **income statement** is as stated a summary of the information from the other five spreadsheets. Any changes made in these sheets will immediately be reflected in the income statement.

The **compensation** spreadsheet estimates the salary costs of the bureau for the first five years. The benefits package for each staff member has been estimated at 25% of base salary. The use of **full time equivalents** (FTE) should make it easy to adjust the head count. The **merit and cost of living** increase is accumulative. This means that in the fifth year, 20% is being added to the initial base salary. The **consultants** sheet provides a detail schedule and cost estimate for the foreign consultants.

The **computer room** separates the cost of building the room and providing a stable environment for the bureau's communication equipment and servers. In all of the expense sheets, it is assumed that all of the capital costs are expensed in the first year. An allocation is made for maintenance costs, based upon the initial capital costs, in the following years. The **allocation and maintenance factor** table controls these assumptions.

The **computer systems** sheet defines all of the individual hardware and software that should be required to create and operate the credit bureau system. Most of the

assumptions on the requirements were based upon experience and discussions with two IT specialists from Jordan.

The **other expenses** sheet tries to estimate all of the other expenses that would be incurred by the operation of the credit bureau.

The **revenue** sheet estimates the income that would be generated by the mix of products offered to the bureau's members. The **market potential** and **penetration** have been taken directly from the market analysis in this document. Multiplying these two figures together gives the **annual sales volume**. Because the products identified by the market analysis will be phased in over a period of over three (3) years, the **months in production** figures are used to obtain an **adjusted yearly sales volume** for the each year.

The **pricing factor** was included so that percentage changes in prices could be analyzed. The base prices are multiplied by the pricing factor to get the **adjusted price**. The adjusted price multiplied by the adjusted yearly sales volume generates the potential **revenue** figures.

There are two items to note on the revenue sheet. The first is the market penetrations for the **comprehensive** and **other insurance** inquiries. They have been adjusted from 20% to 95% in the second year to factor in the checking of all outstanding policies in the first full year of operation. Since the product will only be available for two (2) months in the first year, the remainder of the volume will be allocated to the second year of operation along with the normal expected processing of new policies.

The second item is the cost of production of the **Bulletin**. Since it has been estimated as a percentage of revenue, it was included in this sheet. Depending upon how the bulletin is prepared and distributed this might be an over-simplification of the costs.

Exhibit 'A' – Page 1

Meeting with Jerusalem Insurance Company – May 17, 2000

Met with Ahmed H. Khalil (General Manager), Fiad K. Al-Masri (Deputy GM) and Jafar Dabbagh (Asst. GM with whom we met in April).

Reviewed potential product offering of an insurance database that would include driving, accident and speeding ticket records. Also included would be accident claims and a record of where individuals have their insurance policies (could be more than one company).

Mr. K. agrees it would be an excellent product. He is one of 5 Board members of the Jordan Insurance Federation. The Federation made a proposal to obtain this information from the Ministry of the Interior and were rejected. They had offered to purchase the information and were prepared to build a link to access.

The Insurance industry face specific problems. Firstly the Government requires that auto insurance is compulsory and make it mandatory for Insurance companies to carry 3rd party liability policies. Secondly, premium rates are mandated by the Government with little, if any, consideration for the profits of these companies. The result is they are losing money.

In practice if a consumer wants insurance, and he goes to an Insurance company, he is referred to the Federation who issue the policy automatically. The Federation then assigns the policy to one of the Insurance companies who is required to be the carrier- they have no choice.

Insurance companies have challenged the premium cost on 3rd party insurance. The Government was suspicious of the fact they claimed to be losing money so auditors were appointed to check the books of the Insurance companies. Result was a slight premium increase in 1998. The Federation later attempted to have the Insurance companies provide specific data to the Federation to help establish they were losing money in this area and subsequently present to the Government. The Companies did not provide.

Acknowledges there is fraud in the system relative to multiple claims on the same accident. They know that some police will issue 4 or 5 reports on the same accident so the insured files against that same number of companies. The insured then goes around to several body shops obtaining written quotes and then submits to Insurance company. Because the Insurance companies have no way on knowing if the insured has filed multiple claims, the insured normally gets paid on all claims. Does not know the real cost of fraud, comes across at least one per month however only discover by accident. Problems will be greater in future given police will soon stop investigating accidents if no personal injury is involved.

Exhibit 'A' – Page 2

With Comprehensive insurance, Insurance companies can accept or reject and issue the policies directly. The Insurance companies could set rates based on risk as established by review of driving, accident and ticket records.

Product Potential

A-Would use the 'clearance' product on comprehensive insurance policies only, given has no choice on 3rd party insurance. His usage would be as follows: Has 5,000 comprehensive policies. Approximate turnover is 15% per year or 750. Policies are renewed annually and would not check on renewals based on fact he has experience with the insured.

Challenge would be to find a way to convince them to check all 5,000 each year on the basis their driving record could have deteriorated since previous renewal.

Estimated there are 80,000 comprehensive policies in force in Jordan. Taking Jerusalem's approach the potential is for 12,000 clearances per year. This would be a worst case scenario. Best case scenario is 80,000 per year which is not reasonable, except in the first year and in subsequent years it would be the average % of turnover.

B-Needs a database to check when accident claims are filed. This would have to be an up-to-date database that would almost have to be 'real time' given the fact claims are normally settled within 2 hours of filing. Have 7,000 accident claims annually and all these would attract 'clearance' from the accident claim database. There are estimated to be 100,000 total accident claims, annually in the market.

Each of these claims represent a potential 'clearance' to determine if insured has filed a claim elsewhere.

C-Mr. Khalil indicates a database would be able to provide relevant marketplace information that would benefit Insurance companies. A charge would be levied when the data is consolidated and delivered to Insurance companies.

D-When data is initially loaded to the database a product that would advise Insurance company if insured has policies elsewhere could be activated and a fee placed on each bit of this type of information sent back to the companies.

Miscellaneous:

Ceiling on the cost of 3rd party liability insurance is 25JD to 100JD per year.

Comprehensive insurance is substantially higher. Eg. 500-600JD annually for average car. This portion of the industry is not regulated.

Exhibit 'A' –Page 3

They have 7,000 non-auto policies.

Discussed our understanding the Federation had an estimate of 2-300,000 JD to build database. Mr. Khalil suggested it was more in the 30,000 JD range. No feasibility study done, only a ball park estimate based on several people discussing.

Insurance companies pay an annual fee to Federation and were looking to the Federation to build the database with some of annual fees.

Discussed possible offering of purchase of small share ownership of Insurance database component of Credit Bureau if provided data. Proposal sounded reasonable to them.

Exhibit 'B' – Page 1

Meeting with Middle East Insurance Company – May 18, 2000

Met with Rajai K. Sweis (General Manager) and with Husam N. Smir (IS Mgr.).

Provided overview of project. Mr. Sweis had checked Internet and pulled off information on AMIR. Raised questions as to who was funding AMIR and was I connected with any local companies?

Confirmed no option in taking 3rd party automobile insurance, when assigned by the Insurance Federation. There are approximately 6-700,000 vehicles in Jordan. All require 3rd party insurance. Policies are split equally amongst the 26 insurance companies. The maximum allowable annual premiums, as set by the Government, range from 25JD to 100JD. The range depends on the type of vehicle from small automobiles to public transportation buses.

Concerned about fact insurance is on vehicle rather than driver. Creates opportunity for abuse. As example one person could own a car and he could loan or rent it to someone else. Then there is an accident, the claim is filed and it has to be honoured with no reflection on driver who could easily not be qualified to drive.

Unsure if Insurance Federation has a way to check 3rd party insurance applicants to see if have insurance with other companies. (We need to find this out from the Federation).

Reviewed potential product offerings.

Product Potential

A-Would use the 'clearance' product on his comprehensive policies when first open the policy. Unlikely to check on renewals. Have approximately 8,000 policies in force with annual turnover of approx. 30%. In year one we could look for 8,000 inquiries and in subsequent years approx. 2400 inquiries. His clearances would be based on the Bureau offering a reasonable price.

B-Would check a database that would contain records of accident claims. His company receives 10-12,000 claims a year. Normally takes 2 to 4 days to process. He is well aware of multiple claim problem. Does not have any statistics and not sure of scope of problem. Without a database to check they have no idea of number of these frauds.

Exhibit 'B' – Page 2

Each of these claims represents a clearance for the purposes of determining if there is a claim elsewhere for the same accident.

Need is for other claims to be on file. Solution is for an accident inquiry to be shown as soon as inquiry is made. This would alert other companies to multiple claims.

C-Would use Credit Bureau reports (when product available) to check those individuals who are overdue in their premiums. Has problems collecting these premiums with his 1,000+ fire and marine policies. Would share the data on these delinquencies, provided other companies did the same.

Miscellaneous

Would like to see some type of reporting in the claims area and have the ability to request other reports that could be extracted from the proposed insurance system.

Exhibit 'C'

Meeting with Arab Bank – May 18, 2000

Met with Eyad Z Shukairy (Senior Regional Manager). He is responsible for the Information Systems Department for the Bank worldwide.

Knew of proposed meeting with Mufleh Akel. Mr. Akel is responsible for Arab Bank's Jordan retail operation.

Has Master of Science Degree from Manchester University.

Has made a number of trips to the US. For business, pleasure (including family trips to Disney at Anaheim and Orlando) and for health reasons (wife's illness).

Meeting was somewhat confusing inasmuch as neither he nor his assistant (Adnan Dia at 560-7115 ext. 2334 who joined meeting) was aware of any 'disk' being received from the Jordanian Bankers' Association with the names of 'bad check' issuers. They thought list was received in 'hard copy'. Mr. Dia thought there were only 30 corrections each month. This information is clearly in conflict with information provided by others. Mr. Dia undertook to investigate and get exact details. Later clarification was they had a disc one time but receive data mostly in hard copy. Estimate they have to complete 80 updates per month (JNB said 100+ / month). They have 7500 names on file, in their own system, including 1,000 bad check passers who have redeemed themselves and normally would be taken off the list. They keep this data for historical purposes.

Advised there is a second list. On explanation it would appear to be a letter from the Central Bank that tells Banks how to recognize accounts that require provisions. The Arab Bank circulates this list through the bank for branch information.

Product Potential:

1-Database of the 'Bad Check' information that would include current 'Bad Check' issuers as well as past issuers who have redeemed themselves.

2-Ability to allow Banks to provide data on overdrafts. For all intents and purposes this is the same as a 'Bad Check'.

3-Provide the Banks with the ability to either complete a form of their individual provisions or have them prepare on disk for submission to the negative database to allow for clearance by Bureau members.

Exhibit 'D' – Page 1

Meeting with Jordan National Bank – May 17, 2000

Met with Rashid A. Daoudi (AGM Banking Operations) and his assistant.

He an ex Citibanker who has spent a few years working in the US and understands the value of a Credit Bureau.

Primary purpose was to review the handling of the Bad Check disk provided by the Banker's Association. The disk is a monthly compilation of voluntary information provided by the Banks on customers who have NSF checks. These Banks, for a variety of reasons, may choose not to include all names.

Process:

Central Bank sends disk to JNB. With the disk come instructions to add or delete names. This information is printed in hard copy and branch personnel manually make entries to the existing database, which is located in the computer at the Bank's main branch. This is a time consuming process depending on the number of entries each month.

JNB have built logic that allows for any new account opening to have the customer's name checked against this Bad Check database and to notify the branch if there is a record of Bad Checks on the customer. Check is completed automatically with account opening.

Problems

1-When names are deleted there is no historical record for reference purposes. In other words the Bank would never know if a prospective customer had any Bad Check problems unless it was a current situation.

2-Labour intensive. Update at least 100 entries per month.

3-Their credit card division has no way to access this Bad Check database.

4-Credit Cards have the monthly balance debited to the cardholder's deposit/checking account. If there are not enough funds the transaction still proceeds and the account is placed in an 'overdraft' position and Branch must collect the monies. In other words the customer has a 'Bad Check' classed as an overdraft and not reported to Banker's Association or even in the Banks' 'Bad Check' database.

Exhibit 'D' – Page 2

Product Potential:

1-Database of this 'Bad check' information that would not only include current 'Bad Checks', but information on previous 'Bad check' issuers who have redeemed themselves.

2-Create an opportunity for Banks to provide data on the overdrafts created when Credit Card balances are debited to accounts without sufficient funds.

The potential number of clearances would be the annual number of loan and credit card applications for all Banks and Retailers as well as new account openings at Banks.

Miscellaneous:

-Recent 16 million JD loss for the Bank in 1999 is related to old corporate accounts that were finally recognized as needing provision. Some go back 10-15 years. Took 22 million JD and since start of year have recovered 4 million JD.

-Will be adding field in next system release (Dec./00) that will allow entry of the National ID#.

-Moving to Oracle.

-Indirect Automobile loans, due to competition, are moving away from recourse to encourage more business from Auto dealers. This confirms move by most of Banks into the retail area as their largest potential profit center.

-Bad Check list is in Arabic.

-Current Chairman of Banker's Association is head of Housing Bank.

Exhibit 'E'

Meeting With Samir Jaradit-CEO-S.D.C.-5.22.00

Meeting set up to view National ID# Database and review possible need for National ID# database for Credit Bureau. Bruce Church viewed Database.

Highlights:

- Agrees market needs CB. He former banker with Jordan Investment Bank. Has engineering background. Spent time in Sacramento California.
- Has connection to Civil Service Database to access information on people who wish to trade on Stock Exchange.
- 5.2 million Jordanians of which 2.3 million can be uniquely identified.
- Jordanians have National ID# while non-Jordanians (primarily Palestinians) have Passport #.
- As part of automation process of Stock Exchange, verifying who shareholders are and then assigning them a specific number. Using National ID# as one of identifiers and then used Civil Service Database to obtain more info as sets up database for these shareholders.
- 1.8 million Jordanians own shares in companies and 800,000 are active defined as making at least one trade per year.
- To sell shares must be identified through Depository System.
- 60-70% of the 800,000 work in the Public or Private Sector (relates to potential credit files).
- Expects to have 250,000 people identified as
- National ID# is on Driver's License which validates our interest in having D.L. and National ID# as two key components of the Insurance Database.
- National ID# Database quite comprehensive re demographics.
- He appears to have an excellent network he working through to obtain information for his database.
- Has excellent understanding of requirements to set up a Credit Bureau Database, claims to be seriously interested and has some investors interested in participating. An excellent candidate for the Bureau.

Exhibit 'F'

Data Providers :

- Automobile – sales, service, repairs
- Banks – loans, credit cards, deposit accounts, debit cards etc.
- Clothing stores
- Department stores
- Grocery stores
- Home Furnishings Companies
- Insurance Companies
- Internet Service Providers
- Jewelry Stores
- Contractors of all kinds
- Lumber, Building Material and Hardware Stores
- Medical and Related Health Companies
- Air Lines
- Fuel Companies
- Personal Services other than Medical
- Mail Order Houses
- Landlords
- Real Estate Companies
- Sporting Goods
- Farm and Garden Supply Stores
- Telecommunications – Phone and Cell Phone Companies
- Credit Card Companies
- Utilities
- Government Agencies
- Wholesalers
- Advertising Companies
- Any other company that would provide goods and/or services to consumers

Exhibit 'G'

Accounts Receivable Data Transmission Agreement

This agreement is dated as of the _____ day of _____, _____
(day) (month) (year)

BETWEEN

(Name of client sending the data)

and

Jordan Credit Bureau Incorporated, hereafter referred to as 'JCBI'

We, (name of client sending the data), agree to supply a listing by (tape, cassette or diskette), of our Retail and Commercial account master files on a (# of days) day cycle to JCBI, for the purpose of developing credit reporting files on Canadian consumers and companies.

JCBI hereby agrees to use this data for the sole purpose of creating and maintaining credit history files for reporting to Consumer and Commercial Credit Organizations.

JCBI also agrees not to use any data supplied by (name of client sending data) in the creation of files and listings other than as stated in this agreement, for resale to any other party unless written consent from (name of client sending data) is received.

We, (name of client sending data) undertake to use all devices possible to ensure the information being supplied to the JCBI is accurate and current. In the case of inaccurate information we (name of client sending data) undertake to take immediate corrective action to correct this inaccurate information when it is brought to our attention either by our personnel or personnel of the JCBI.

Date

Name and Title (please print)

Signature for Jordan
Credit Bureau Incorporated

Witness

Date

Name and Title (please print)

Signature for data supplier rep.

Witness

Exhibit ‘H’

Jordan Credit Bureau - Staffing and Product Introduction Schedule

Month #	Staff hiring, by month, from start up. Staff to be hired	Product Introduction
1	General Manager and an Executive Secret Secretary	
2		
3	System development manager.	
4	Two system programmers.	
5		
6	Two sales and marketing staff.	
7	One data entry person	
8	One system operator and one administrative person	
9		
10		Insurance database with free files
11		Insurance database with files at regular price
12		Bad Check database and Microfinance database with free inquiries (test mode).
13		Bad Check database and Microfinance database with inquiries at regular price.
14		Negative database with free inquiries (test mode).
15		Negative database with inquiries at regular price.
16		Bulletin Service-Electronic and paper-quarterly
39		Consumer credit reports-based on 2 years of history.

Exhibit 'I'

Local Area Network, Computer Systems and Communications Structure.

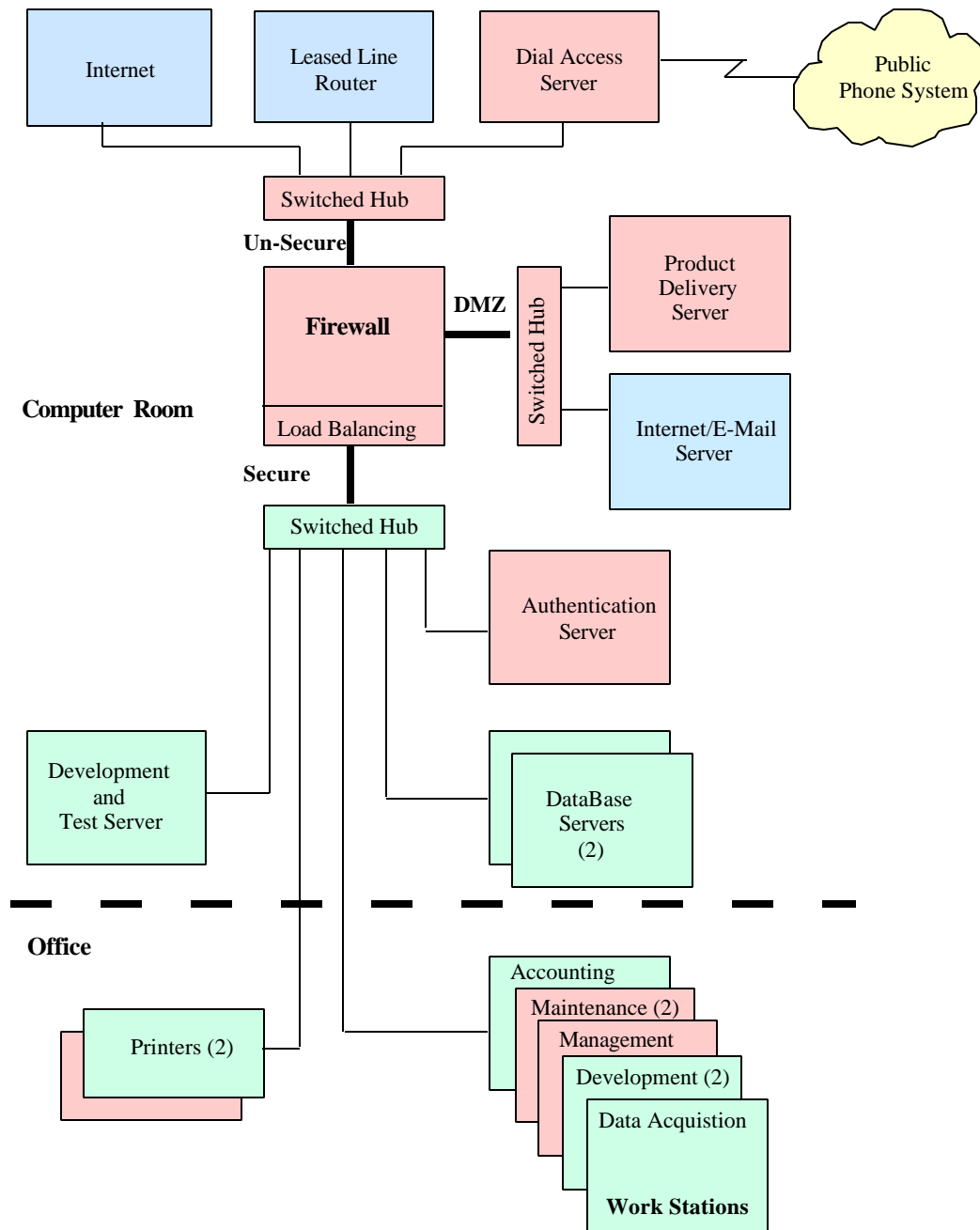


Exhibit 'J'- Page 1

Membership Agreement

In consideration of the mutual benefits, the undersigned, herein called the 'Subscriber', and the Jordan Credit Bureau, hereinafter called the 'Credit Bureau', enter into the following Agreement:

A. Credit Bureau Agrees:

- 1-To maintain credit information on individuals, as furnished by its subscribers or obtained from available sources.
- 2-To provide to the Subscriber a credit reporting service on individuals as permitted by law.
- 3-To make available such other credit reporting services as from time to time may be deemed by the Credit Bureau to be beneficial to the Subscriber and which compliment the normal Credit Bureau function.

B. The Subscriber Agrees:

- 1-To comply with all applicable Jordanian laws regulating the use of credit information.
- 2-To pay the Credit Bureau in advance, or on the date hereof, an annual membership fee of 50 Jordanian Dinars. The Subscriber shall deposit with the Credit Bureau _____ to secure payment of all future invoices, any amount of the deposit remaining at the termination of this Agreement, after settlement of any outstanding invoices shall be refunded to the Subscriber.
- 3-That the nature of the Subscriber's business is _____.
- 4-To request consumer credit information only for the Subscriber's exclusive use, and not for resale purposes.
- 5-The Subscriber certifies will be made only for the following purposes:

(In this section you list the purposes as outlined by Jordanian law)

- 6-Reports on employees of the Subscriber shall be requested only by the Subscriber's designated representative. Employees shall be forbidden by the Subscriber to attempt to obtain reports on themselves, associates, or any other person except in the exercise of their official duty.
- 7-To hold in strict confidence all information received from the Credit Bureau, and not to disclose such information, under any circumstances, to the subject of the report, or any other party. Where a credit decision is questioned by a consumer, the Subscriber agrees to refer the consumer to the Credit Bureau for any clarification of information reported by the Credit Bureau.
- 8-To pay the Credit Bureau, within 30 days of the date of the invoice, for the services rendered by the Credit Bureau. Past due amounts shall incur interest at the rate of 2% per month (24% per annum). If collection efforts are required, the Subscriber shall pay all costs of collection, including attorney's fees.

Exhibit 'J' – Page 2

9-The Credit Bureau shall have the right to change its rate schedule upon 30 days' written notice to the Subscriber.

10-To furnish, at the request of the Credit bureau, information on the Subscriber's customers, employees, or consumers dealing with the Subscriber including actual ledger experience, names, addresses, change of address, amounts of credits, balances, terms and manner of payment, collections, repossessions, court actions and other information affecting the credit of such persons.

C. It is Mutually Agreed:

1-The Credit Bureau shall use good faith in attempting to obtain credit information from sources deemed reliable, but does not guarantee the accuracy of information reported, and in no event shall the Credit Bureau be liable in any manner whatsoever for any loss or injury to the Subscriber resulting from the obtaining or furnishing of such information; and further, that the Subscriber agrees to hold the Credit Bureau harmless and indemnify it from any and all claims, losses and damages arising out of the Subscriber's use of the information obtained from the Credit Bureau.

2-There shall be no refunds or rebates of the annual Subscriber fee under this agreement. All subscriber fees are compensation for supplying services and carrying the account.

3-This agreement shall remain in full force and effect from year to year, upon payment of the annual membership fee, unless terminated by either party by written notice to the other for breach of a fundamental term of this Agreement, or terminated by either party, for any reason, upon 30 days' written notice.

4-This instrument, when signed by both parties, shall be the complete Agreement between them, and shall not be amended other than in writing.

In Witness Whereof this Agreement is executed by the Subscriber this ____ day of _____, 20__

Subscriber

Address

By: _____

Title: _____

Credit Bureau Code No: _____

In Witness Whereof this Agreement is executed by the Credit Bureau this ____ day of _____, 20__

Credit Bureau

Address

By: _____

Title: _____

Exhibit 'K'

Balance Sheet for Jordan Credit Information Bureau	Incorp. Date	Month 12	All amounts in Jordanian Dinars
Current Assets			
Cash	609,000	36,678	
Balance			
Accounts Receivable	0	65,700	
Prepaid Expenses	0	4,000	
Sub Total	609,000	106,378	
Capital Assets	0	381,165	
Accumulated Deprec.	0	233,413	
Sub Total	0	148,052	
Total Assets	609,000	254,430	
Liability			
Current Liabilities	0	0	
Accounts Payable	0	0	
Current Notes	0	0	
Other	0	0	
Current Liabs.			
Total Liability	0	0	

Capital				
Paid-in Capital	609,000		609,000	
Retained Earnings	0			
Earnings (Loss “)			-354,570	
Total Capital	609,000		254,430	
Capital and Liabs.	609,000		254,430	
Notes				
1- Accounts receivable represent trade accounts				
2-Capital Assets and Accumulated Depreciation				
	Rate	Cost-JD	Accum. Depreciation	Book Value
Office Furniture	50%	3,900	1,950	1,950
Office Work Stations	50%	27,000	13,500	13,500
UPS & Air Condition	50%	33,500	16,750	16,750
Local Area Network	50%	4,440	2,220	2,220
Database Servers	50%	105,000	52,500	52,500
Communication	50%	50,900	25,450	25,450

Server				
Communi	50%	6,525	3,263	3,262
cation				
Links				
Security	50%	41,600	20,800	20,800
&				
Authentic				
ate				
Leasehold	30%	9,000	2,700	6,300
s - Office				
Leasehold	30%	7,600	2,280	5,320
s-Comp.				
Rm				
System/D				
evelopme				
nt				
Software	100%	71,000	71,000	0
Office				
Systems				
Software	100%	21,000	21,000	0
		381,165	233,413	148,052